



# HOW **MIDDLE MARKET CFOs** CAN BECOME **DIGITAL INNOVATION LEADERS**

**FIVE PILLARS THAT DRIVE MODERN DIGITAL SUCCESS**

# DIGITAL INNOVATION LEADERS

The role and importance of modern finance executives is being impacted significantly by today's digital world. Finance executives have to be willing to go beyond their traditional comfort zones to succeed in today's demanding business environment. Finance chiefs must be evangelists for driving technology, data, and analytics throughout an organization. As organizations become more focused on digital innovation, CFOs must be at the forefront of this change.

In their role as a strategic leaders, CFOs need to build their companies by focusing on five pillars of success within financial operations: people, processes, technology, reporting and analytics, and controls. Process-led technology enablement will empower progressive finance chiefs to take the reins as business performance leaders and effectively drive organizational performance. A recent CFO Research survey indicated that 93% of senior finance executives believe that CFOs will need a much stronger technology skill set, and 80% plan to upgrade their own technology skills in the coming year. Finance executives see the need for change — change that will be significantly driven through the advancement of technology in the Office of the CFO.

Along with the finance chief, the digital expertise of the finance team also needs to evolve. Strong finance organizations are built on people who have solid financial skills, excellent business acumen, and superior technology, data, and analytics skills. This shift in skillset will be critical in developing an agile culture within finance that doesn't simply react to changing market conditions but instead has the ability to anticipate trends and modify financial operations to drive performance.



The interconnection between technology and finance will only strengthen as real-time data and analytics drive decision-making going forward. Tech-savvy finance chiefs understand how to leverage innovation to propel strategic initiatives.

This eBook will look at how to modernize the Office of the CFO by focusing on the following areas:

- **People:** Cultivating talent with the digital skillset needed to master current and planned technologies
- **Processes:** Re-engineering processes to address current challenges, align with industry best practices, and position the company for the future
- **Technology:** Maximizing business applications and exploring systems to support future growth
- **Reporting and Analytics:** Shifting from a transactional focus to supporting critical data and information needs that enable growth
- **Controls:** Building a framework for governing people, processes, and technology that meets the needs of internal and external stakeholders

# THE CURRENT STATE OF DIGITAL, AND WHY CFOs NEED TO BE TECHNOLOGY EVANGELISTS

Middle market companies are not always as adept at transformative innovation as they should be, according to a recent survey by CFO Research. Only 16% of survey respondents classified their companies as “highly successful” at innovation, while three out of ten do not regard themselves as successful innovators.

The same survey revealed that CFOs most often serve as advisors to others in regards to innovative initiatives. While 28% of respondents said they functioned as advisors, only 12% described themselves as leaders in innovation.

“Modern CFOs are thought leaders, and they have built a new role centered around ways for the Office of the CFO to drive operational improvements,” said Dan Wheadon, Partner, RSM US LLP, the leading U.S. provider of audit, tax, and consulting services focused on the middle market. “Successful CFOs want to harness the power of technology and champion solutions that can impact performance.”

As the business landscape changes, it is critical to turn data into information that can be used by companies to make better decisions more quickly and effectively. CFOs who fail to leverage data and technology for better decision-making will be left behind.

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## Pillar #1. Find the Right People to Drive the Innovation Engine

To capitalize on digital opportunities, finance leaders, and in particular the CFO, need to become more tech-savvy.

The emergence of a digital economy has resulted in the focus of middle market finance organizations changing. Strong finance teams stay abreast of the technology skills they need to not only drive innovation in their own department but also to spearhead innovation throughout the organization. Successful finance teams utilize data and information to help all components of the organization improve their decision making and drive performance through their functions.

It is critical the finance chief partners with functional leaders across the company to ensure that they are bringing in people with the right skills and supporting them with programs that will help them develop into finance and technology leaders.

“While digital innovation should be a cross-functional effort, finance needs to take a leadership role in building and testing the business case,” said Drew Faries, Technology and Digital Practice Lead, RSM US LLP.

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— DREW FARIES, TECHNOLOGY AND DIGITAL PRACTICE LEAD, RSM US LLP.



## Pillar #2: Examine Current Processes to Improve Performance

There is little, if any, benefit to a digital transformation that simply automates current processes — many times organizations default to simply automating an ineffective process. Organizations that are effective at digitally transforming their organizations take the opportunity to take a fresh look at key processes and rationalize the way in which these processes get executed.

The first step to revamping the company's processes is to take a hard look at how things are currently being done within the organization. Are the tools that are being utilized effective at achieving desired outputs and results? Is the workflow optimal, or is the process simply being perpetuated because that is the way it has always been done? Organizations that are able to answer some of these questions and re-define themselves are the ones that are able to truly drive value through process improvement.

In order to measure the effectiveness of process change, it is important to baseline where you are today and consider benchmarking your efforts against industry peers. Organizations that implement metric-driven continuous improvement plans are more effective at driving high performance on a consistent basis.

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### Pillar #3: Make Smart Technology Investments

Once the finance chief has thoroughly reviewed the business processes and targeted areas for improvement, the next step is to evaluate the technology tools to help improve functions that are key to their core business.

Many middle market companies have implemented ERP solutions and other systems to automate processes and attempt to streamline the planning and reporting processes throughout the organization. “The first step for the CFO in evaluating the company’s technology spending is to take a look at what systems are in place and how they are being used,” said Wheadon. “This will better position the CFO to make a strategic decision as to where additional investments should be made.”

While some organizations have seen operational improvements through the successful deployment of ERP solutions, finance chiefs still believe that there is room for improvement in their ERP platforms, according to a recent CFO Research study. Specifically, CFOs indicated that they’re looking for next-generation ERP solutions to provide better reporting and analysis capabilities, customization, integration, ease of implementation, and user-friendliness.

“To successfully drive digital change across their organizations, CFOs should evaluate technology in terms of how it will help them deliver on the company’s overall goals — be they reducing costs, expanding into new markets, improving customer engagement, or another objective,” commented Faries.

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#### Pillar #4: Improve Reporting and Analytics Capabilities

Finance chiefs will always have a transactional focus to some degree — that is the nature of their role — but innovative finance teams are shifting to an analytic mindset that enables critical reporting to inform smart business decisions.

With enterprise-wide planning and reporting tools now accessible to many middle market companies, finance teams have a wealth of data available to help support decision-making.

Leading finance organizations are able to provide actionable insights to grow the organization and develop a competitive advantage. While the role of the finance chief has typically been one of looking in the rearview mirror, the availability of data, analytics and information through key technology platforms positions CFOs to offer insights on where the business is headed, not just provide a review of past performance.

Finance chiefs should leverage data and analytics to identify current business trends and align them with future business goals. “Finance should have an active role in not just reporting but providing actionable insight into where the company is in terms of meeting the goals and strategies of how to get there. Otherwise, they are missing the boat,” said Wheadon.

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### **Pillar #5: Develop Controls to Maximize the Value of Innovation**

In their expanding role as business performance leaders, CFOs engage with sales, marketing, operations, and other business functions to uncover what they need to run the business more efficiently. The needs of external stakeholders — including customers and suppliers — must also be considered. Ensuring the proper controls are implemented or enhanced as part of driving innovation is critical to the success of the organization.

With so many competing interests, the CFO plays an important role to help support the needs of each department. Innovation must transform the business with minimal disruption, while maintaining the appropriate level of process and control to ensure credibility. The Office of the CFO plays a central role to ensuring this control is maintained.

While IT has a seat at the table, the CFO has an important role to look at innovation from a broader perspective with other key organizational leaders. The organization must ensure that systems and technologies being implemented meet current needs and position the company for growth. To that end, regular meetings regarding the company's strategy for the people, processes and tools needed for innovation, are necessary. The Office of the CFO should establish clear guidelines for investing in new technologies and how those investments will be evaluated from an ROI perspective.

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# CONCLUSION

## **CFOs Can Be the Catalyst for Digital Innovation**

It's up to finance executives to make sure that innovation-fueling processes are ingrained in the company's culture and backed by a solid technology infrastructure. CFOs must now serve as stewards of the innovation and technology culture that is the lifeblood of any modern organization.

With technology developing at a rapid pace, it is difficult, especially for middle market CFOs, to truly drive innovation through technology. Finance chiefs must embrace digital innovation and determine how their organizations can benefit from becoming a digitally enable company.

Understanding available options and developing a technology road map that takes advantage of emerging solutions can transform many key processes and create a platform for more effective decision-making and, ultimately, improved organizational performance.

The Office of the CFO is a key leader in the digital transformation effort leading the charge to uncover the right people, processes, information and technology required for a more innovative organization.

## ABOUT THE SPONSOR

RSM US LLP is the leading provider of audit, tax and consulting services focused on the middle market, with 9,000 people in 90 offices nationwide. It is a licensed CPA firm and the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with more than 41,000 people in over 120 countries. RSM uses its deep understanding of the needs and aspirations of clients to help them succeed.

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