THE FUTURE CFO

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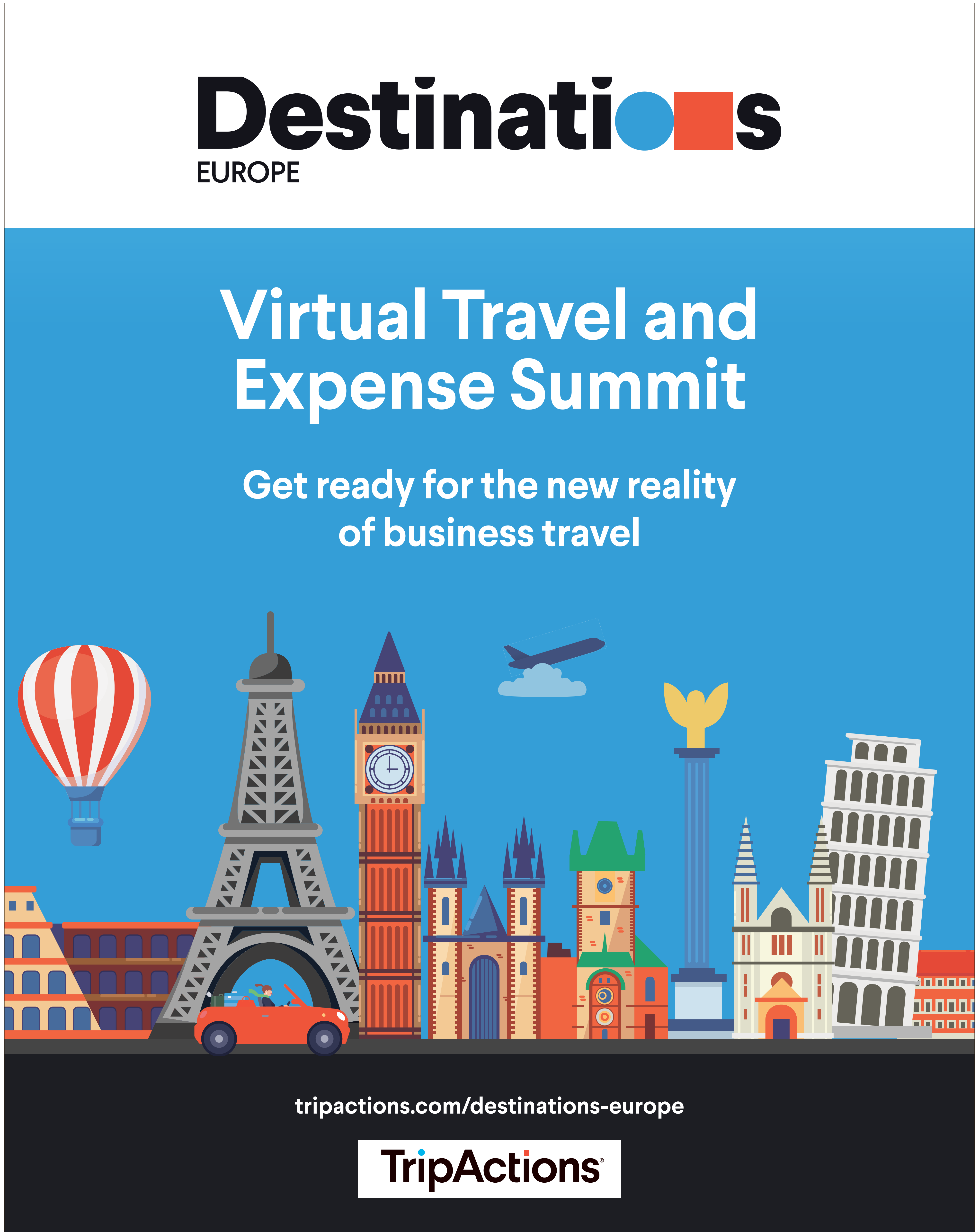

THE FUTURE CFO

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Contributors

Simon Brooke
Award-winning journalist, specialises in business, finance, marketing and lifestyle trends.

Memuna Konteh
London-based Sierra Leonean multidisciplinary writer with special interest in the intersections of identity culture and politics.

Oliver Pickup
Award-winning journalist, specialising in technology, business and sport, and contributing to a wide range of publications.

Tim Cooper
Award-winning financial journalist, he has written for publications including *The Spectator*, *London Evening Standard*, *Guardian Weekly* and *Weekly Telegraph*.

Michelle Perry
Journalist covering the finance and business sectors,and editor of *UK Landlord* magazine.

Jonathan Weinberg
Journalist, writer and media consultant specialising in technology, business, social impact and the future of work and society.

raconteur reports

Publishing manager
Rob Birch

Managing editor
Sarah Vizard

Deputy editor
Francesca Cassidy

Associate editor
Peter Archer

Head of production
Hannah Smallman

Design
Kellie Jerrard
Colm McDermott
Samuele Motta
Nita Saroglou
Jack Woolrich
Sean Wyatt-Livesley

Illustration
Sara Gelfgren
Samuele Motta

Art director
Joanna Bird

Design director
Tim Whitlock

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RISK MANAGEMENT

How preventing risk provides new opportunities for CFOs

Finance leaders are finding opportunities as their role expands to meet growing risk challenges

Tim Cooper

Top chief financial officers (CFOs) are widening their risk management responsibilities in response to an increasingly volatile environment. Many have relished the challenge and discovered it brings financial opportunities and greater boardroom influence.

A growing range of threats has forced finance leaders to focus more on risk management, including technological disruption, changing market dynamics, geopolitical uncertainty and environmental risks. Coronavirus has increased the pressure further. Almost eight in ten CFOs say the pandemic has triggered more requests for them to manage risk, among other changes to their role, according to research by Accenture.

Mike McLaren, CFO of professional services firm FDM Group, says: "Risk assessment and management have increased dramatically due to COVID-19 and are now a key part of the CFO's role. The shift to remote working and lockdown restrictions made anticipating financial challenges and managing resources a top priority."

Most CFOs' near-term risk focus has been on protecting financial positions and managing digital risks, such as cyberattacks, which have grown more dangerous during the pandemic. But the crisis has also created or accelerated many other threats from supply chain risk to customer behaviour changes and staff mental health issues.

Kelvin Stagg, CFO of recruitment company Page Group, says that CFOs, as owners of the financial business model, are well placed to take more responsibility for overall risk management. "Our functional heads own their risk but, as financial custodian of the company, balancing those risks falls to me," he says.

Other leading CFOs have also seen the benefits of doing this, using their insights into risk to increase the frequency and scope of collaboration with C-suite partners. CFOs who have transformed their roles in this way are, in addition, experiencing better growth and profitability.

Risk management drives value

Risk management is not just about prevention and mitigation, but also taking the right calculated risks.

Stagg says one of the biggest risks for Page Group is missing opportunities to grab market share in the post-COVID recovery.


Klaus Vedfelt via Getty Images

"We started aligning the business for these opportunities in July 2020," he says. "For example, we found competitors had mistreated staff during the pandemic. We hired 500 of them, many experienced in technology recruiting, which was another opportunity due to the demand for cloud engineers to support remote working."

Stagg has introduced a risk management matrix to Page Group, which enables him to spot such risks and opportunities quickly. The matrix plots risk tolerance bands in core areas. It shows where the company's current risk level lies in each, according to a range of evolving metrics, compared to 12 months ago.

Many CFOs have relished the challenges brought by the pandemic, seeing it as an opportunity to test and bolster the strength of their risk management plans.

Elodie Brian, CFO of UK public transport provider Go-Ahead Group, says: "We are navigating unprecedented levels of uncertainty, testing our agility more than ever. In response, risk management has become more dynamic and real time. We have moved from business forecasts to dynamic scenario planning and fostered more collaboration between teams to support faster decision-making."

This helps the company anticipate long-term risks too, such as permanent changes to customer behaviour, for example around the daily commute and an accelerating green agenda.

Focus on risk can also drive value in other parts of the company. James Ireland, CFO of financial services provider Sanne Group, says: "Greater emphasis on risk management in the CFO's role has allowed us to invest more in this area, which drives value.

"The key is to focus not simply on mitigation, but on using outputs of risk management activities to improve and refine business processes and strategy. This betters understanding of resource allocation, which strengthens our business and drives efficiency and value for stakeholders."

Exciting challenges ahead

Mauricio Ortiz, CFO of Chilean mining company Antofagasta, says: "Overseeing and implementing risk management strategy is exciting and central to my role, even more so in volatile environments such as in 2020, and transformations such as adopting new technologies or responding to climate change.

"It was pleasing to see our risk management programme was robust as the pandemic tested it across operational, market, logistic and social scenarios."

The firm's main long-term risk – climate change – is also starting to emerge, says Ortiz, for example with drought and heavy rains in Chile. The firm is responding by adapting operations to harsher climate conditions and developing clear policies, and reporting and communication strategies around climate change.

McLaren says board diversity is a critical element of good risk management as it helps raise and balance awareness of more risks by avoiding groupthink. "FDM's diverse board has over 500 years of diverse experience," he says. "Also, our internal and external auditors have worked with the group to understand the business's risk profile."

Mark Satchel, CFO at wealth manager Quilter, says the most effective mitigation strategy is to have a strong culture of risk-informed decision-making in finance and across the group.

"This includes linking risk management to performance, development, and remuneration and reward schemes," he says. "An environment that encourages people to embrace risk management, and speak up where needed, is critical to achieving strategic priorities.

"If the past year has taught us anything, it is that businesses need to be prepared to make rapid responses to disruptions. This brings commercial advantages and helps build a more resilient business."

SUSTAINABILITY

Turning the CFO into a champion for green growth

As sustainable objectives move up the corporate agenda, finance leaders are uniquely positioned to devise a business strategy that is good for the planet

Michelle Perry

Ten years ago, asking the chief financial officer (CFO) to accept responsibility for climate change would have been like suggesting the chief executive take personal charge of diversity and inclusion. They may have liked the idea and seen value in it, but it wasn't a priority.

Today though, investors are likely to question why the CFO doesn't have a mandate for sustainability. The evolution in attitudes over the decade has intensified in the past two years, converting lofty corporate ambitions on social and environmental issues into actionable targets.

Accounting for Sustainability, which has been encouraging the integration of natural capital into business operations since 2004, surveyed CFOs about incorporating natural capital into business in 2012. Their views? That environmental and social factors were "nebulous", "notional costs to society" and the case for their relevance to a board had "not yet been answered".

Nowadays, CFOs are championing the sustainability agenda. They are the obvious candidates at executive level to lead the charge and highlight the opportunities of sustainable business. Finance chiefs have the requisite skills of forecasting, risk management, governance, measurement and reporting to integrate the United Nations' 17 Sustainable Development Goals (SDGs) into a company strategy and map out a plan to measure and monitor progress.

"Increasingly we see CFOs understanding and recognising the value of the broad range of factors like social capital and just how important the interaction any organisation has with society, whether it's local communities or indeed increasingly the global supply chain," says Jessica Fries, executive chair of A4S.

Over the past year or so, more and more CFOs and their boards are reviewing strategy to account for social and climate issues. Rob Hudson, chief financial and operating officer at St. Modwen, a FTSE 250 property company, began incorporating environmental and social targets into the business strategy a year ago. This year's focus is to embed management metrics, key performance indicators and year-on-year targets to be able to measure whether the company is meeting its targets. St. Modwen has set itself six environmental and social goals, incorporating the UN SDGs into its own relevant targets.

"We're adopting a test-and-learn approach," says Hudson. "It's a big journey ahead of us. And we're at a relatively early stage, but we're keen to do everything we can to drive delivery against the commitments we have."

Jacobs, US infrastructure and engineering company, and one of the founding members of the UN CFO Taskforce, put in place a sustainability strategy in 2018 and is currently mapping out the next stage. It's also using approved science-based metrics to measure its emissions targets.

Kevin Berryman, Jacobs CFO, says the company distilled the UN SDGs into six "relevant" goals for its business. "Even if the goals that we establish may be longer term, in terms of what's called science-based progress, there are objectives and a commitment to start," he says.

Due to the nature of its business, FTSE 100 energy giant SSE has been focused on measuring and reporting on climate matters for around a decade and pushing the green agenda in financial terms. Gregor Alexander, finance director at SSE, has overseen the issuance of three green bonds worth a total of around £1 billion for the company. In 2017 SSE issued the UK's biggest-ever green bond at the time.

"It's all about the direction of travel," says Alexander. "Some companies will be a bit behind, some companies will be ahead. But we all know that ultimately our shareholders are getting more and more focused on ESG, and not just environmental but social and governance as well. Getting that message across is really important for us."

As people endorse the theme of saving the planet though, it can be hard to separate the greenwash from measurable targets. To date, thousands of businesses around the world have publicly pledged to be net-zero carbon by 2050, at the latest. There are 12,000 signatories in more than 160 countries to the UN Global Compact, a non-binding pact to encourage businesses to adopt and report on sustainable and socially responsible policies.

Yet, of the growing list, how many of those businesses have quantifiable targets? And how much can we count on the reporting of those goals with no globally agreed set of standards on sustainability?

Investors are becoming savvier in cutting through the detail in sustainability reports to get to the hard facts, but there's more work to be done especially in terms of comparability. Sustainability reporting remains voluntary in most jurisdictions, but pressure from investors, employees, customers and stakeholders will ensure it is increasingly best practice with greater clarity and more scrutiny of targets.

> "Even if the goals that we establish may be longer term, there are objectives and a commitment to start

Admittedly, the goal is huge and there is no globally agreed harmonised approach to incorporating financial and non-financial data. While some boards prefer standalone sustainability reports, there is a push towards a multi-capital value accounting framework, where non-financial data, such as water resources and staff turnover, runs alongside financial data to create a single profit-and-loss account. Practices are evolving.

"These are really big turnarounds that you would not have imagined two years ago," says Dr Delphine Gibassier, professor of accounting for sustainable development at Audencia Business School in France.

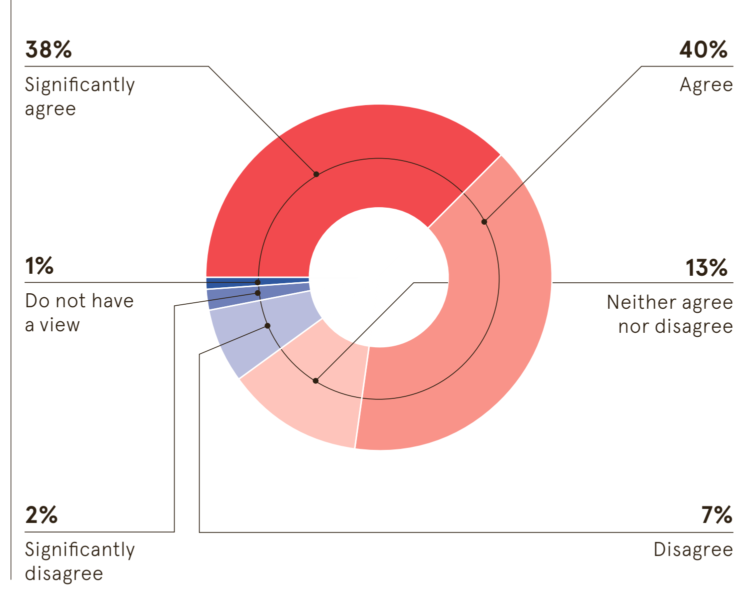
As well as retraining whole finance teams to incorporate sustainability data and financial data into systems and processes, entire IT systems will also need to be redesigned and automated.

"It'll be at least two years before we see some of the larger public companies not just experimenting, but deploying a multi-capital accounting system. But I'm astonished at the speed with which finance teams are moving," says Gibassier.

There are many hurdles to overcome, but it finally feels like corporate ambition is translating into action by aligning finance with social and environmental goals to the benefit of the planet and people. CFOs are at the forefront of this change proving that protecting people and places also equates to creating commercial opportunities and business longevity.

ESG CONCERNS COULD BE WHAT SETS CFOs APART ACCA 2020

The extent to which global finance leaders agree with the statement "The ethical lens that CFOs apply to their work is a prime attribute differentiating them from other executives."



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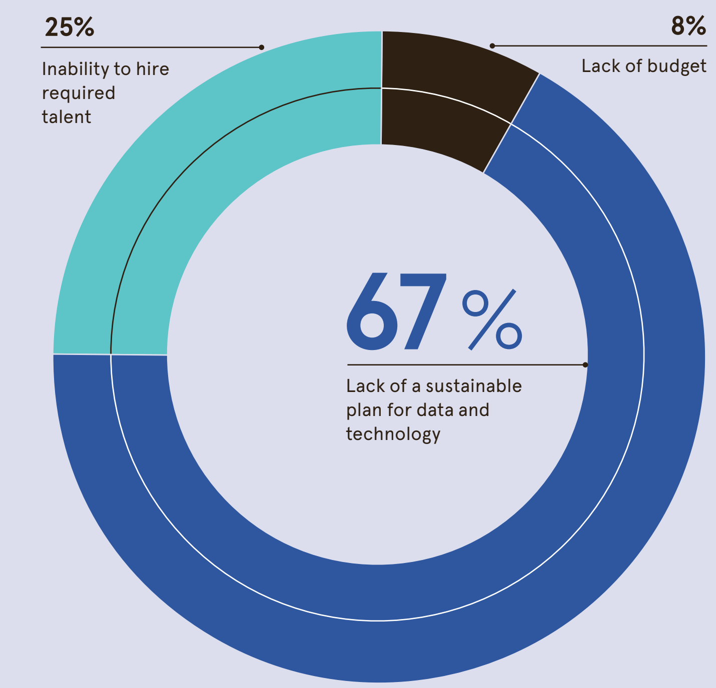
COMPANIES SAY DATA AND TECHNOLOGY IS THE BIGGEST BARRIER TO DELIVERING THE TAX FUNCTION'S PURPOSE AND VISION

How companies rank their biggest challenges



*All data for companies with annual revenue of US$20bn or more

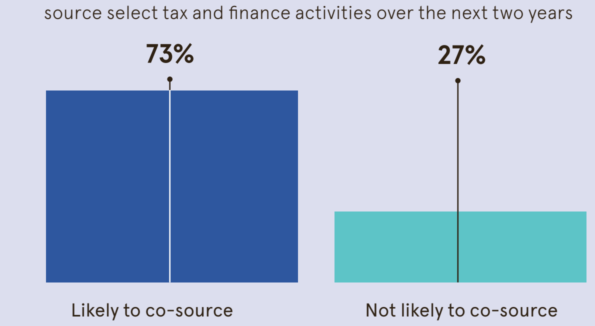
COMPANIES ARE TRANSFORMING THEIR OPERATING MODELS

98%

of tax and finance functions are making changes to their operating model

TAX FUNCTIONS ARE LOOKING AT CO-SOURCING TO ENABLE THEM TO DO MORE WITH LESS

Percentage of companies who are more likely than not to co-source select tax and finance activities over the next two years



COMPANIES WANT TO SPEND MORE TIME ON HIGHER-VALUE ACTIVITIES

How tax and finance teams spend their time today, compared to what they want to spend their time in the future

EY 2020

How to get smart about your tax and finance operations

Digitalisation and the drive for efficiency are among the reasons why chief financial officers may need to rethink their operating model, say **Kate Barton**, EY global vice chair – tax, and **Dave Helmer**, EY global tax and finance operate leader

Even before the pandemic, many companies were facing important decisions about managing their finance operations. In 2021, those decisions are more pressing than ever.

Chief financial officers (CFOs) need to take a strategic view of managing the entire finance function, including their tax operation. Get it right and they can deliver long-term value, creating teams and processes that can cope with the road ahead, which has a series of very real challenges.

In the 2020 EY Tax and Finance Operate (TFO) survey of 1,013 tax and finance professionals, 67 per cent of the companies with annual revenues of US$20bn and above said the biggest barrier to achieving their vision for their tax and finance function was lack of a long-term, sustainable plan for data and technology.

These functions urgently need the transformation that modern technology platforms can bring. It is not just the ability to support seamless cooperation across global teams, essential though that is. They need flexibility, such as being able to produce new analytics and reporting when the business pivots. The technology platform also needs periodic updating as tax codes change and to incorporate state-of-the-art technologies when they become available.

Getting all this technology to work requires talent and there lies the second challenge. The CFO needs a skilled team that blends tax knowledge with technology insights plus an entrepreneurial, problem-solving mindset. Skilled people like these will only build a career with you if they solve interesting, strategic problems.

The third challenge facing companies is how to identify, interpret and then act on the many legislative and regulatory changes. For example, we have seen nearly 3,000 pandemic-related tax law changes offering incentives, relief and support to businesses just in the last year. But even before the pandemic, the pace of legislative change was rapid with governments seeking to capture revenue from digital services and cross-border commerce. Governments are also expected to increase taxes as they manage deficits and debts exacerbated by the pandemic. And, they will continue to impose more digital filing requirements, demanding rapid reporting of more granular data, placing stress on tax compliance operations.

And there is a fourth challenge, which creates the perfect storm: the need to cut costs.

In light of these challenges, chief executives have increasingly been asking us how to drive more efficient tax and finance functions.

How can CFOs meet this long list of tough challenges? We argue that now is the time for a quick but thorough strategic review.

> "For years, the finance function has been making trade-offs between risk, cost and adding value to the business; technology allows all three to be improved at once

This review should be grounded in operational issues, but look above and beyond. It needs to consider broader matters, such as tax governance and how the company's tax profile will be reflected in its reporting on environmental, social and governance (ESG) metrics. The focus should be on long-term value and not only quick fixes for today.

Then it is time to ask the critical question: which parts of the tax and finance function can your business sustainably own and operate? And which processes should be done with leading professional services organisations that can spread costs across thousands of companies?

Even before the pandemic, these were questions CFOs were asking. In our 2020 TFO survey, 98 per cent of large company respondents said they were transforming their tax and finance operating models and 73 per cent said they were more likely than not to co-source some critical activities in the next 24 months.

Many CFOs want to keep operating the higher-risk, higher-value processes in-house, such as strategic tax advice and complex tax policy and controversy matters. This makes sense; after all, that is what both they and their team are qualified to do.

Many organisations are looking to work with service providers such as EY, which is investing constantly in technology designed to help clients meet compliance obligations in a cost-efficient manner so they stay current with rapid legislative and regulatory changes, which helps mitigate risk.

For instance, EY combines the cloud-based EY Global Tax Platform, which runs on Microsoft Azure, a secure, scalable and cost-effective platform, to deliver technical excellence with the support of EY professionals globally who bring a deep knowledge of tax and finance to client service.

The EY Global Tax Platform can ingest a variety of data from many enterprise resource planning systems, and then validate and transform the data into a common model that can be used to facilitate routine compliance processes and drive reuse providing valuable analytics, planning, transparency through real-time dashboarding and management reporting.

And because the Global Tax Platform is a data management platform, built with state-of-the-art technologies in a plug-and-play fashion, it is easily updated as tax laws change and technology advances, making it a future-proof solution.

The impact can be transformative. For years, the finance function has been making trade-offs between risk, cost and adding value to the business; technology allows all three to be improved at once.

Finance chiefs now have more choices than ever. Every organisation needs to decide on its mix of work done internally and that done with service providers.

As our colleague Tim Steel, EY TFO leader for Europe, Middle East, India and Africa, notes: "Many companies will decide a hybrid approach is right for them, where they decide to continue to own some tax and finance functions they consider to be critical, while co-sourcing others." He adds that this drives overall effectiveness and efficiency, while empowering their own people to focus on high-value strategic matters.

Creating this kind of vision is a challenge, but also an opportunity to reimagine the tax and finance function so it contributes to the company's delivery of sustainable, long-term value to all its stakeholders.

To learn more please visit www.ey.com/tfo

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CFO ROLE

Tech, humanity humour: meet the new CFO

When Govia Thameslink Railway suffered a 95 per cent drop in footfall, chief financial officer **Ian McLaren** drove recovery by being open to innovation and investing in staff

Oliver Pickup

Govia Thameslink Railway's chief financial officer, Ian McLaren at the Billion Journey Project

Drag queens, diversity and inclusion, and data-driven decisions are unlikely to be among the first words you would associate with a typical chief financial officer (CFO). However, Govia Thameslink Railway's Ian McLaren is far from a stereotypical CFO, although he argues no such thing exists in 2021.

As the 52-year-old cycling enthusiast, who took up his position at GTR in December 2017, can attest, the tumultuous events of the past year have elevated the role of CFOs and significantly expanded their list of responsibilities, across the board. "When I started at GTR, my remit was a lot simpler and I was focusing on a narrow scope of my skill-set, whereas now I'm using a much broader range," he says.

"Today, it's more about the human side of things, thinking about very practical stuff: keeping almost 8,000 colleagues safe while being able to carry out their duties, alongside supporting the varying ambitions of stakeholders and looking for opportunities to create value."

The inference is the train has left the station for those who still believe a CFO's primary journey is counting the beans. Business continuity has been paramount through the coronavirus crisis and those in McLaren's position, at their respective organisations, have become more central to steering strategy.

Considering GTR, which handles 250 locations and some of the busiest train stations in London, went from "moving over a million people" in and out of the capital on a normal day, pre-pandemic, to footfall crashing by 95 per cent when the first lockdown was enforced in late-March, it has been a mighty challenge to get the business back on track.

69%

of CFOs say that social value has increased as a budget priority as a result of the pandemic

Proxima 2021

Broader range of skills required

Connecting with, and looking after, customers and staff alike has enabled McLaren to navigate a quicker route to recovery. "As an organisation, we are looking to build back better, greener and faster," he says, "and part of that is drawing on the ability to listen and adapt."

A good handle on technology also augments modern CFOs and, most importantly, their employers. McLaren has this in spades; his curriculum vitae lists two-year stints as CFO and head of finance at Nomad Digital and Digital Barriers, respectively. Indeed, he has been in the driving seat for GTR's digital transformation journey, which began in 2017, and it "came into its own" last year, allowing colleagues to "work with technology in an untethered way".

Further, through utilising products provided by technology partner Microsoft, McLaren and his fellow GTR strategists can gain "real-time insights that have led to data-driven decisions". He says: "These insights have meant our colleagues can optimise their time on the ground and it has empowered people to do the job we've required of them, which has been ever-changing."

Since the first lockdown, that agility and flexibility, following the data, has been vital for GTR's service operation and particularly for hospital staff and those they aid. "We realised there are nearly 70 NHS trusts across our network, and first-responders and critical workers relied on the train service, so we adapted our timetable predominantly for them," says McLaren. "We became more of an off-peak rather than a commuter service. The old rush-hour peak has disappeared and now travel patterns are more evenly spread throughout the day."

> Today, it's more about the human side of things, keeping colleagues safe while supporting the varying ambitions of stakeholders and looking for opportunities to create value

Value-creation officers: open to innovation

A suite of new digital applications has minimised disrupted running of services. These include an app, introduced in May, that indicates to train drivers and station staff how recently a long-lasting virucide, designed to stick to surfaces and kill viruses, including COVID-19, for up to 30 days, has been applied.

"It has given all our colleagues confidence about going into a clean workplace," says McLaren. Another app allows GTR staff to access the latest Public Health England information about the pandemic and report sickness and absence from work, thereby limiting potential bottlenecks.

"Technology has helped us all throughout the pandemic and understanding technology is increasingly important for CFOs and others in executive positions," he says. "I'm lucky because tech has been my background, but it's essential to know the risks associated with technology and cybersecurity especially. I would encourage all organisations to think more like technology companies, but being technology-savvy certainly raises a CFO's stock.

"Dealing with the pandemic has taught us that our ability to change can move at lightning pace, so over the next five years we need to become very good at rethinking everything we think we know."

McLaren, who has thrice cycled from Land's End to John o' Groats, owns ten bikes of various vintages, the oldest being a 1935 "speed racer", and regularly clocks up 200 miles a week, finds strategy brainwaves often hit him when pedalling.

The secret is being open to innovation and new ideas. "Some might think the finance director is there to say 'no' and it's all about cost-cutting. But to me, it's more about value creation; we are becoming value-creation officers," he says, suggesting that adopting a "beginner's mindset to everything" helps in the current CFO's role.

Invest in employees

"If you consider yourself an expert then you are closed to many things," he adds. "I try to approach things with novelty and understand the art of the possible."

Ultimately, the success or failure of an organisation is down to its employees, argues McLaren. "You have to understand the business and, more importantly, what makes its people tick." Hence, he is passionate about diversity and inclusion, and keen to invest in and join events that "demonstrate my more human, fun side".

For example, he and his daughter have recently enjoyed tuning in to virtual drag queen shows, featuring the amusingly monikered Annabelle Lecter, put on for GTR's LGBT+ Network. "Spending a tiny amount on a diversity and inclusion event is nothing compared to the huge value it generates to us as a business," says McLaren.

"It's intangible, but you know you are creating something quite special when you see the brilliant reactions from colleagues, which then resonates with their service to customers."

Anatomy of the modern CFO

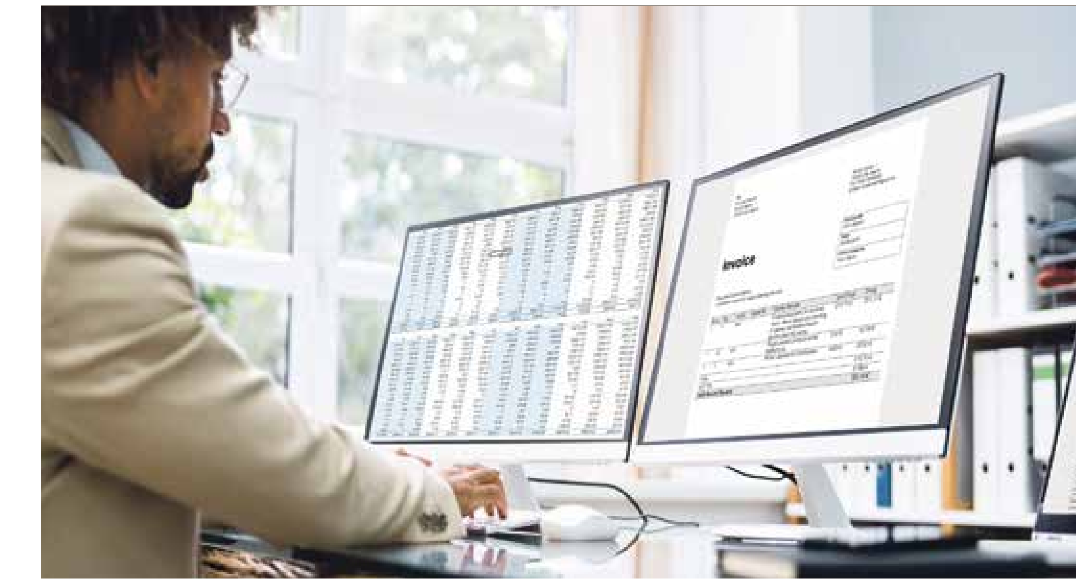
The chief financial officer's role has evolved somewhat since Ian McLaren gained his accountancy qualification over three decades ago; finance credentials alone are no longer sufficient.

"Today, finance roles need to be augmented with many more skills," says Govia Thameslink Railway's CFO. He suggests, in addition to being good with numbers, the modern CFO must understand legal and broader governance issues, and be technology-savvy, not least to manage cybersecurity risks and data. On top of being able to structure commercial deals, they ought to be excellent negotiators too.

In terms of personality traits, the best CFOs are armed with "a good sense of humour, can understand and show humility, and have tenacity", says McLaren. Further, given the business agility necessitated by the pace of change, they require a certain amount of creativity, plus an openness and a "growth mindset" that enables them "to question, listen and rethink" strategies and business models.

Being a courageous leader, who can communicate with and energise colleagues and those across the business, is increasingly valuable for a CFO. "Having good people skills is essential," McLaren concludes. "This skill helps with negotiation and, if you can be authentic and intentional, it will inspire those around you."

Commercial feature



Why your firm should upgrade to Xledger

Mid-market companies need finance tools built for their needs; it's why Xledger has won 10,000 clients, explains UK chief executive **Mark Pullen**

There are some things so terrifying you only want to do them once. Bungy jumping off a bridge. Eating ghost pepper chilli chicken wings. And in the business world, it's switching accounting software. Even the most technologically accomplished chief financial officer (CFO) will shudder at the thought.

However, there comes a moment in the life of a company when a migration is inevitable. For mid-market firms still using outdated tools or systems designed for startups and the self-employed, it's a question of upgrade or stagnate.

Basic accounting packages aren't designed for mid-sized firms; they become a straightjacket. The symptoms are clear. The finance team is overwhelmed by manual duties. Crunching the data for insights is impossible. The CFO works weekends just to keep operations running.

The solution is to adopt a finance platform built for the mid-market. Xledger is tailor-made for companies that have outgrown their first accounts package. With more than 10,000 customers in 60 countries and endorsements from IDC, Gartner and the Big Four accountants, we offer a path for ambitious firms to grow without limit.

Our platform is ideal for companies in all sectors, including charity and non-profit. Multi-entity and complex corporate structures can be managed with ease by Xledger.

Automation takes care of mundane duties. Bank reconciliation, dashboard creation and reporting are just some of the tasks handled automatically. The finance team can save hundreds or thousands of hours a year.

Xledger is a complete enterprise resource planning tool. The basics include invoicing and purchase orders, billing, VAT reporting, and cash and bank payments. It also adds process and structure to the enterprise with procurement and inventory, budgeting and forecasting, and project accounting. Regulation is tighter than ever today; Xledger automates fund accounting and swathes of statutory reporting requirements.

Let's be blunt. None of the tools designed for more basic accounting needs can handle this workload.

Our platform is a true cloud system. This means the finance team can log on from any device with a browser. During the coronavirus pandemic our clients have been prepared and able to run smoothly because of easy, secure, remote access. Furthermore, there is no maintenance for your IT team and no upgrades to install. Xledger handles it all.

Andrews Property Group, an estate management company with 49 branches across the south of England, made the switch to Xledger to liberate the accounts team from manual duties.

Brett Ford, group financial controller at Andrews Property, says: "We chose Xledger because it ticked all our boxes. The automation, the efficiency, the consolidation, and we could tell they wanted to work with us. We've almost finished an entirely remote implementation and I cannot fault the Xledger team who have gone above and beyond throughout."

As Brett says, upgrading is surprisingly straightforward. Xledger manages the transition from start to finish. Every single consultant and member of our support team is a qualified accountant either ACCA, FCCA or CIMA accredited. This means your finance team will be working with experienced industry peers. Together, we'll configure the package to suit your enterprise. We offer hyper-care during the sensitive first three-month period. It's an all-inclusive service. Whatever you need, we'll be there for you.

> Basic accounting packages aren't designed for mid-sized firms; they become a straightjacket

The quality of Xledger is world leading. We are hailed as a major player in IDC's *MarketScape Report* for the mid-market. Gartner names us as a global competitor in its *Market Guide*. Our global network of partners includes PwC, BDO and KPMG.

And we pride ourselves on our culture. Founded by Norwegian tech entrepreneur Jarle Sky in 1996, Xledger has a Scandinavian work culture, taking time to win the trust of each and every client to build a personal relationship over the long term. We have no shareholders to please and will not sacrifice first-class support for growth.

For mid-market companies or outsourced accountants searching for the right finance platform, Xledger is tailor-made to be the ideal solution. The only challenge is persuading firms to upgrade.

Patience Thody, deputy chief executive of The Wildlife Trusts, puts it like this: "Often people get wedded to a system so much that when you even mention the 'change' word, they would probably prefer to sit with something frustrating them, rather than thinking there's a different solution to help. It's that whole change mindset."

Successful firms need the right tools for the job. Upgrade to Xledger and you'll be ready for the next decade of growth.

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empowering ambition.

WHAT'S KEEPING THE CFO UP AT NIGHT?

The role of the CFO is ever-changing. Beyond a number-cruncher, they are called to be strategists, involved with shaping the future of their businesses. But with greater involvement comes more responsibilities, and more challenges. So what is the modern CFO prioritising, how are they shifting their approach, and what are the new burdens resting on their shoulders?

WHAT CFOs ARE FACING IN 2021

Deloitte 2021

0.25% average expected GDP growth for 2021, compared with 2% in 2020 and 2.3% in 2019

70% of CFOs expect an increase in unemployment

62% respondents expect an increase in Consumer Price inflation

CFOs MUST BALANCE COMPETING DEMANDS

EY 2020

Percentage of global CFOs and senior finance executives who strongly agree with the following statements

41% CFOs must balance the need to protect enterprise value today while also enabling future growth

36% To succeed in the role today, CFOs must find a way to balance traditional responsibilities with new mandates

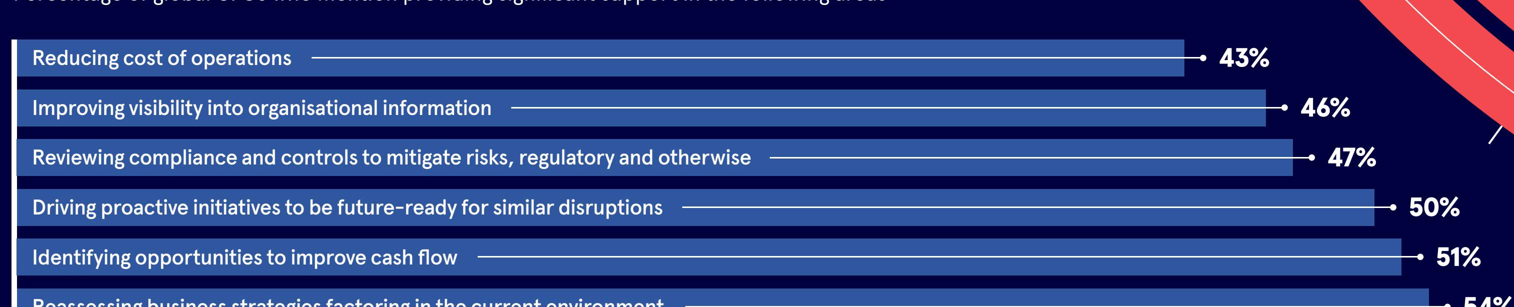
36% Because their role is increasingly broad and complex, CFOs will need to put in place new support structures with additional skills if they want to be effective

31% While the CFO role today is extremely challenging, there has never been a more exciting time to be a CFO

NEW CHALLENGES REQUIRE GREATER CFO INVOLVEMENT

The Everest Group and WNS 2020

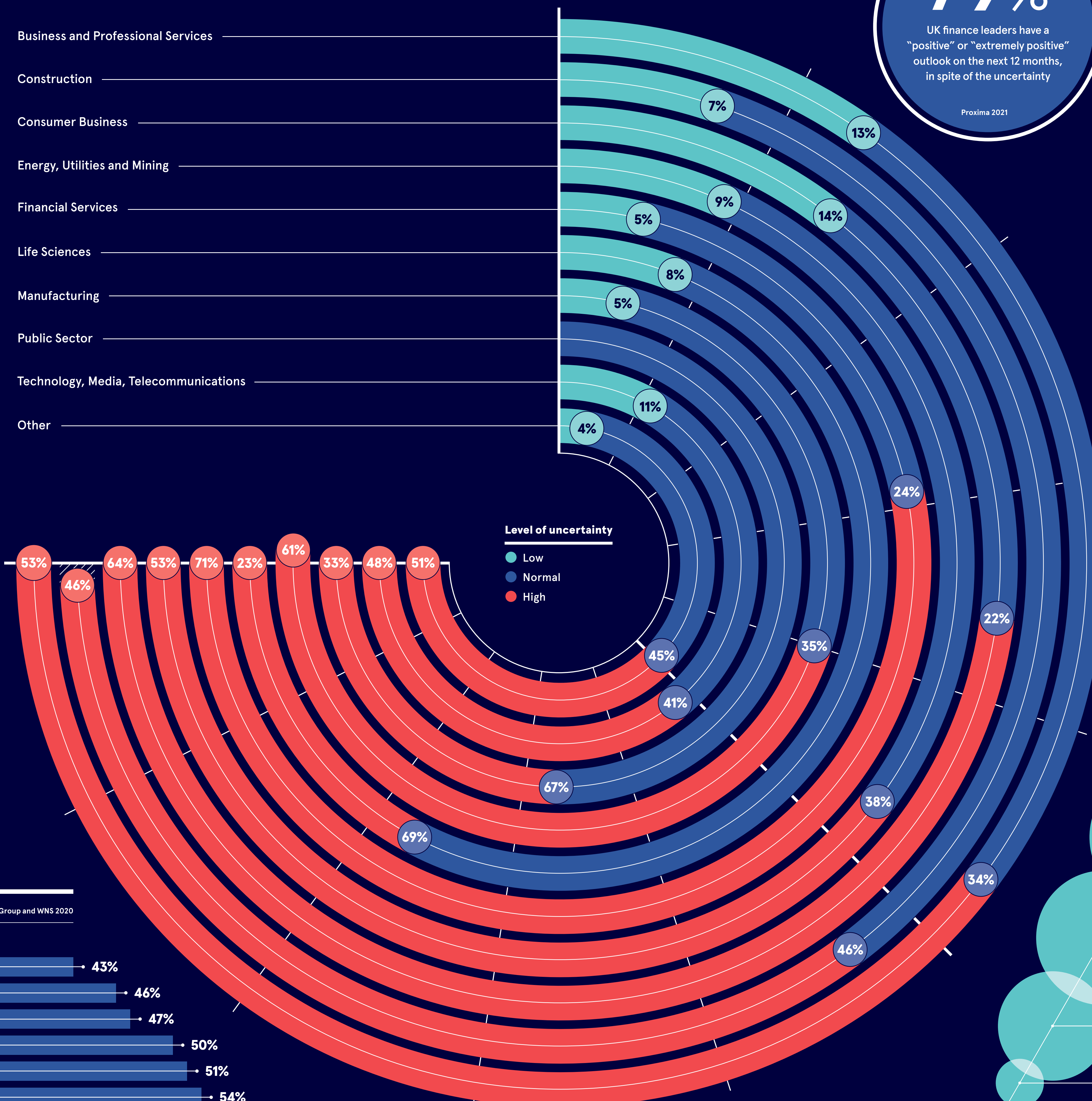
Percentage of global CFOs who mention providing significant support in the following areas



CFOs CERTAIN OF UNCERTAINTY

Deloitte 2021

European finance leaders from a range of sectors rate the overall level of external financial and economic uncertainty facing their businesses



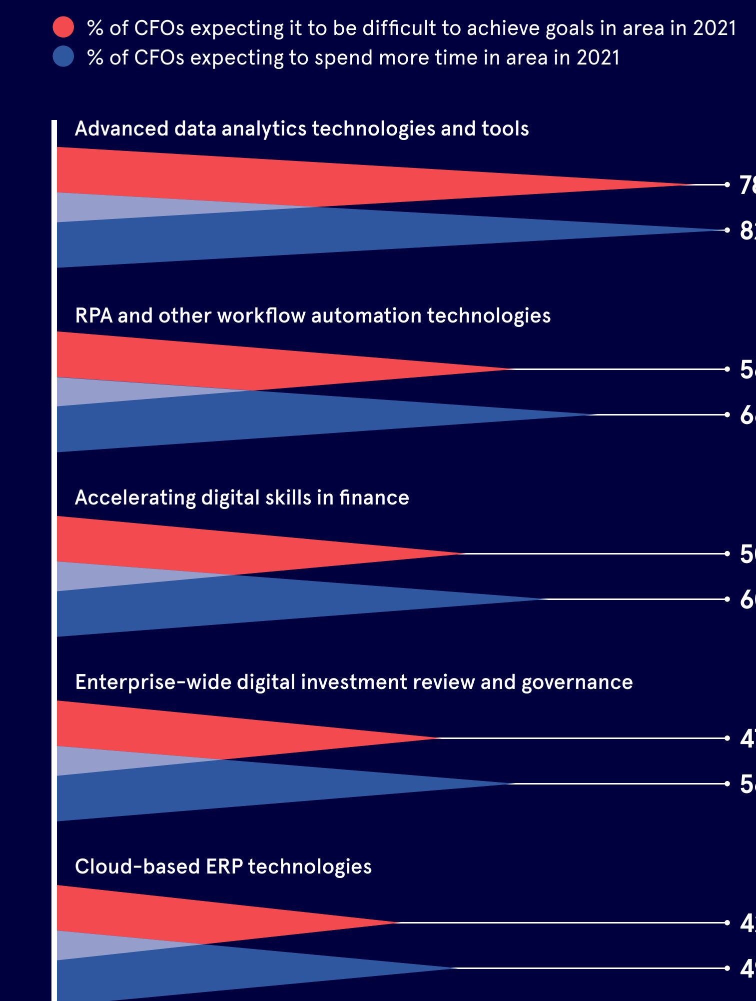
79% UK finance leaders have a "positive" or "extremely positive" outlook on the next 12 months, in spite of the uncertainty

Proxima 2021

CFOs SETTING GRAND DIGITAL GOALS

Gartner 2020

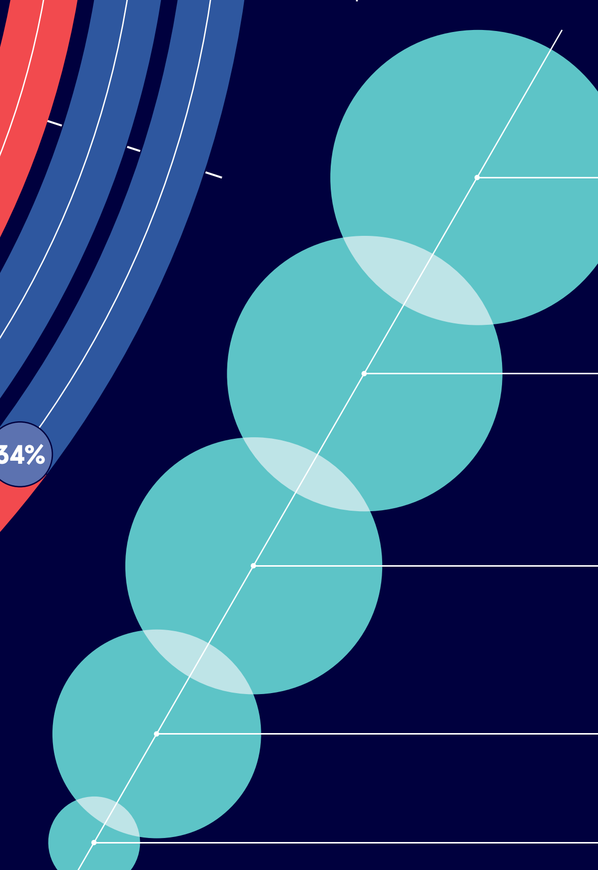
The time and difficulty expectations of global CFOs' leading digital priorities



CFOs HONING THEIR SOFT SKILLS

EY 2021

Global CFOs from private companies were asked which two of the following personal and leadership qualities were most important for a CFO to succeed in the future



62% The agility to adapt to continuous change

54% A willingness to experiment and take calculated risks

47% The intellectual humility to admit when you do not have all the answers

31% The courage to challenge entrenched interests and beliefs

6% Emotional intelligence

Commercial feature

Real-time visibility of data elevates the role of finance

In an uncertain business landscape, companies must be able to leverage accurate insights that inform fast, intelligent decision-making and planning around different outcomes. Getting this right requires far better visibility and access to real-time financial data

Having lagged behind other functions in digital transformation, finance and accounting teams felt the pressure of inefficient, manual processes more than most when coronavirus forced the world into remote-working mode. Before the pandemic, only 9 per cent of companies had transformed their finance function with automation, according to research from FSN. Many distributed teams have, therefore, had to deal with paper-based documents and office-bound tasks that are simply no longer feasible.

Chief financial officers (CFOs) and their teams are under enormous strain. On the one hand, the need to adapt to pandemic disruption has increased reliance on accurate, up-to-date financial data. On the other, it has also diverted budgets which might have been used for finance improvements to customer-facing systems, perpetuating a decades-long imbalance that has impeded back-office investment. Paper-based documentation slows performance and ramps up risk, since files must now be copied or scanned and sent as attachments.

"This may be feasible in a small company, but it adds dangerous layers of complexity in medium or large-scale finance and accounting operations. Before COVID-19, manual accounting was not sustainable, now it is untenable," says Marc Huffman, chief executive of BlackLine, whose cloud-based solutions transform finance and accounting by automating, centralising and streamlining key processes. "The impact could have been softened had companies already digitalised processes, but few have fully addressed the finance automation gap."

In a recent survey by BlackLine, just 29 per cent of C-suite executives and finance and accounting professionals felt confident in the accuracy of their financial analysis and forecasting data. This is despite a third of respondents believing the pandemic has increased pressure on them to provide an accurate picture of company performance.

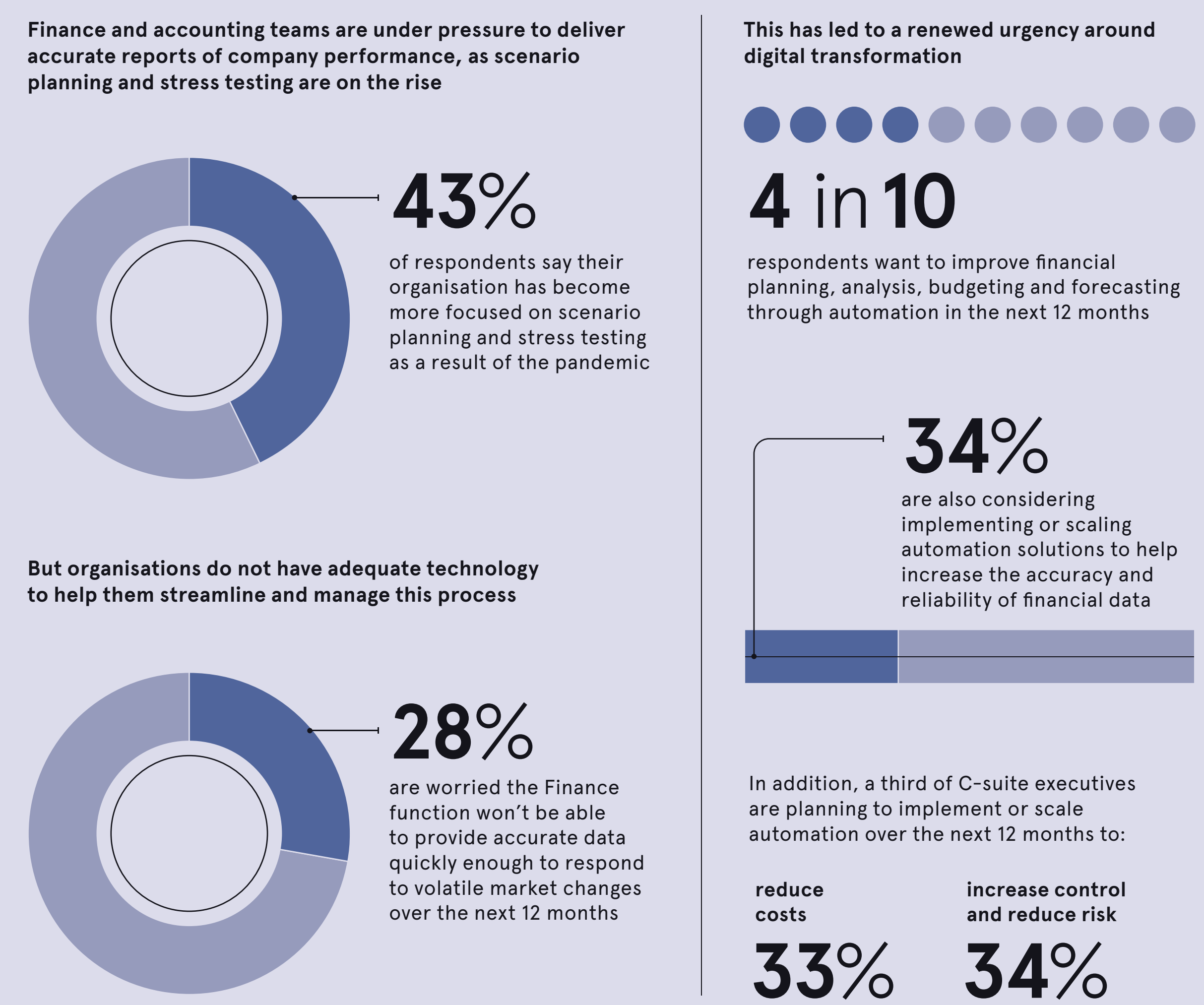
Findings suggest that while businesses now recognise the critical role financial data has to play in informing business strategy and continuity, poor visibility and a lack of access to real-time data is hindering the ability to respond to volatile market changes. Four in ten respondents said the finance team is increasingly being called on by the board to provide insights that help with scenario planning, yet 28 per cent were worried they are not able to provide data quickly enough for the company to respond to market changes.

The lack of visibility – 27 per cent of C-suite executives said they have none at all into financial scenario planning or stress testing – means business leaders are often making decisions based on an incomplete picture of their organisation's financial health. It is also undermining trust in the data used for key financial processes and planning, with only 56 per cent of C-level executives confident in the accuracy of their company's financial data. Accuracy is hindered by a reliance on clunky spreadsheets and outdated processes that leave finance and accounting team members in the dark until month-end.

"Manual tasks, inefficient processes and a lack of data insights are holding back finance functions and preventing them from competing effectively in a tumultuous market that has been upended by COVID disruption," says Huffman. "In the end, the pandemic is bringing to the forefront what we've seen for years. The questions and scenarios might change, but the answer is the same: manual accounting processes are unsustainable.

CFOs ACCELERATE DIGITAL TRANSFORMATION STRATEGIES TO FUEL COVID-19 RECOVERY PLANS

Research commissioned by BlackLine reveals how the pandemic is reshaping the role of Finance and Accounting and creating a renewed urgency around digital transformation



Survey of 645 C-level and 655 finance professionals in seven markets (the US, Canada, UK, France, Germany, Australia and Singapore), commissioned by BlackLine and conducted by Censuswide

"Companies often struggle to advance digital transformation in the finance function as they fail to link process change with the most advantageous outcomes of automation. To achieve the full value, they need to be prepared to challenge and reimagine hardened accounting processes. It's crucial to engage every level of the organisation to embrace digitalisation rather than fight it. COVID-19 has highlighted the importance of an efficient, automated finance function; companies must now address this or risk falling behind."

A third of BlackLine's survey respondents said developments caused by the pandemic have made people at their company value real-time access to financial data more. The opportunity is there for finance organisations to leverage the renewed urgency COVID has created around digital transformation to accelerate their automation aspirations.

> The pandemic is bringing to the forefront what we've seen for years: manual accounting processes are unsustainable

BlackLine's cloud-based solutions enable companies to move to modern accounting by unifying their data and processes, automating repetitive work and driving higher accountability through visibility. They allow large enterprises and mid-sized companies across all industries to do their accounting work better, faster and with more control, shifting resources from just getting the job done to telling a complete story, and enabling them to focus on strategic decision-making and the work that matters most.

In particular, BlackLine helps companies manage the financial close by automating accounting processes, such as reconciliations or journal entries, reducing detail-heavy, routine tasks that distract from higher-value work. It recently introduced a new solution to speed up accounts receivable cash application by using artificial intelligence to automatically match customer payments to invoices and provide real-time visibility over cash flow.

"By reducing errors and inaccuracies in the finance function, our automation ultimately frees up time for more complex and valuable tasks, including analysis and forecasting," says Huffman. "An end-to-end automated accounting environment also leads to better control, ensuring key processes are secure, standardised and repeatable, and is much better suited to working virtually. It protects files and documentation by storing them centrally and eliminates the need to share data via email or other unsecured processes.

"Most importantly, embedding automation within day-to-day activities facilitates real-time financial intelligence, enabling CFOs and their teams to elevate their role by providing unprecedented value and consultancy to the broader business. Rather than solely managing data, digital transformation enables finance departments to activate it and uncover valuable insights that could ultimately determine the success of their business, transforming finance and accounting into a highly valued strategic business partner. The organisations that use financial data to their advantage will ultimately be better positioned as we move from crisis mode and into post-pandemic recovery."

For more information please visit www.blackline.com/covid-F&A-survey

BLACKLINE

CROWDFUNDING

A practical guide to equity crowdfunding

Traditional venture capital fundraising can do wonders for a business, but it doesn't work for everyone; equity crowdfunding can offer a viable alternative

Memuna Konteh

Crowdfunding platforms, such as Indiegogo and Kickstarter, have been providing alternative finance options since the mid-2000s. These rewards-based programmes paved the way for increasingly popular equity crowdfunders such as Crowdcube, SyndicateRoom and Seedrs, companies that aim to help entrepreneurs bypass the barriers of traditional funding.

Crowdcube co-founder Luke Lang says their initial goal was essentially to "democratise investment", adding that "before Crowdcube, if you wanted to invest in a startup or early-stage business, you basically had to be a wealthy, white, middle-aged man".

There are many limitations to debt financing and venture capitalist fundraising, including the risks of over-leveraging and diminished control over business decisions. Perhaps the most alarming red flag is the widespread discrimination would-be entrepreneurs of certain demographics encounter going down these routes.

According to RateMyInvestor's 2017 *Diversity in Venture Capital* report, in the United States only 9.2 per cent of startup founders were female and 75 per cent of venture-backed founders were white. Similarly, a 2019 report by Extend Ventures found just 0.24 per cent of UK venture capitalist investment went to Black-founded businesses which, as Lang says, is representative of the biases held by the people calling the shots at most investment brokerage firms.

Serial entrepreneur and co-founder of SoHo Token Labs Elissa Shevinsky says the issue is compounded. "Many investors make decisions based on pattern recognition, when nowadays there are more and more examples suggesting successful startups are led by founders who don't fit the traditional mould," she points out.

Equity crowdfunding platforms allow for anyone, regardless of their wealth or existing portfolio, to invest in businesses, opening doors to investors who have more fluid ideas of what constitutes a dependable founder.

Initially, coronavirus dealt a blow to investment activity, but Lang claims four out of five of Crowdcube's largest campaigns have occurred since the pandemic. Seedrs chief investment officer Kirsty Grant says they've had "a very busy year, despite the disruption" and SyndicateRoom co-founder Tom Britton has noticed that while valuation growth for earlier-stage companies has experienced a "cooling-off" period, businesses in later-stage rounds of fundraising "seemed to soar even higher".

That being said, there are still factors putting entrepreneurs off this style of investment. Aditya Banerjee, global managing director at emerging ecommerce company ClusterHall, says he might be discouraged from equity crowdfunding. "There are many stakeholders; it can be chaotic and might disrupt progress," he says. If that isn't a concern for your business and you're inspired by the success stories of Monzo, Revolut, What3words and the hundreds of other enterprises that used this method to their advantage, here's how to make it work for you.

> Before, if you wanted to invest in a startup or early-stage business, you basically had to be a wealthy, white, middle-aged man

Choose the right platform

The first thing to do once you've decided to raise capital this way is to choose the facilitator that's best suited to your product and business plan. They may appear to be similar, but each platform has unique features that could elevate or hinder your campaign. For example, as the first platform of its kind, Crowdcube has a larger pre-existing investor base than somewhere like SyndicateRoom, which is younger but offers a hybrid service of angel investment and equity crowdfunding more attractive to certain entrepreneurs. Seedrs, on the other hand, pride themselves on the support they provide to portfolio businesses through their easy-to-use marketing and public relations toolkits.

Be prepared and manage your expectations

"Raising capital is competitive and those who have spent more time researching the market, iterating their business plan and really figuring out why their business deserves to get capital will get capital" says Britton. A University of Bath study into successful crowdfunding concluded the best way to optimise this kind of fundraising is to keep funding goals as low as possible. Campaigns that hadn't raised a sizeable percentage of their goal after ten days of being live were deemed as unattractive to potential investors, according to the study. Percentage of funds raised is more important than the actual amount because most platforms present this data graphically.

Stay transparent and responsive

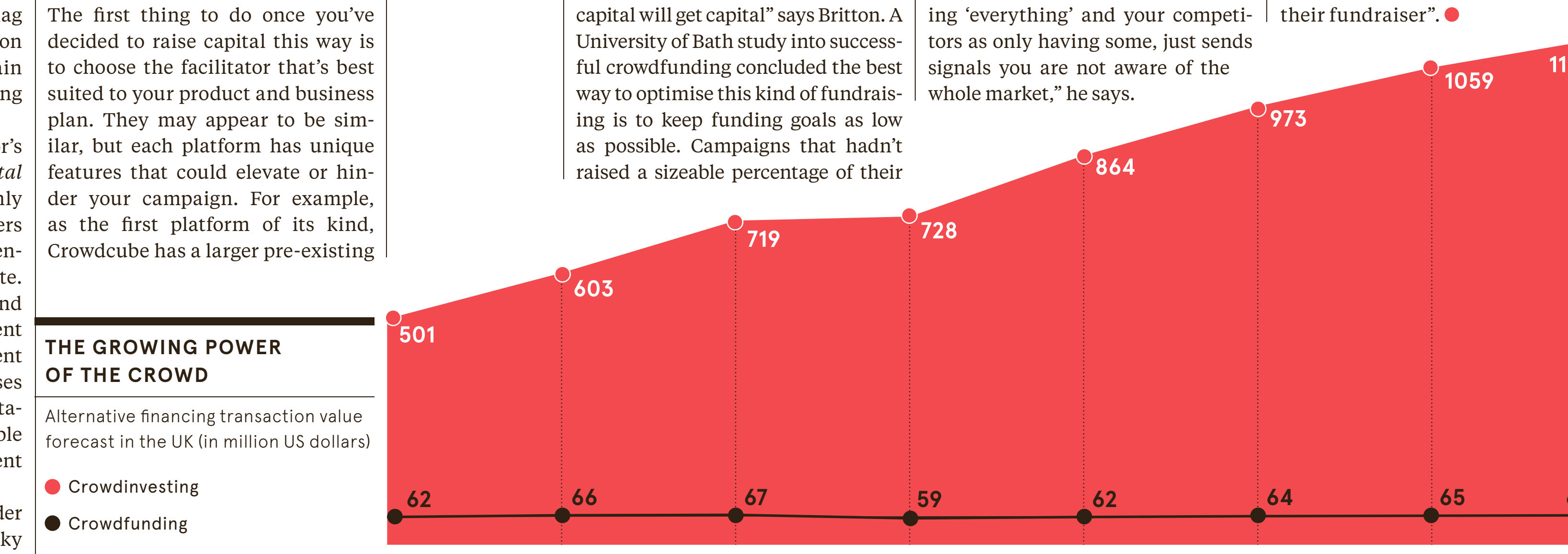
For Britton, the best online campaigns are run by founders who are polite, honest and quick to respond to questions posed by potential investors. "If I'm going to invest in someone, I want to know how they respond to both challenges that are fair and challenges that may not be relevant. You'll get customers in both veins; how you treat them will determine how successful you are," he says. Britton also doesn't recommend bluffing or cocky campaigning, claiming one of his biggest red flags is hearing a founder say they are the only ones who do "xyz". "It shows a naivety of the market. In the off-chance you were, in fact, the only company to do 'xyz' exactly as you do, there are many, many, that do it similarly or who offer a substitute good. This, along with a comparison table that shows your product as having 'everything' and your competitors as only having some, just sends signals you are not aware of the whole market," he says.

Network and promote smart

The University of Bath study also found campaigns performed best when presentation videos were of quality production, short and focused on the fundamentals, such as product description, development timelines and fund allocation. The overall purpose of these videos is to grab attention, convey credibility and create product demand. Grant believes founders who do well are dynamic storytellers and expert networkers. "The ability to communicate your business and the problem your business is solving is a fundamental of any funding source, alongside community-building. Platforms like Seedrs bring a large network of investors, but the first investors in most campaigns will come from the business's own audience, whether that be customers, users, followers or personal networks. They provide the initial validation for a funding round, which will then make it attractive to new investors," she says, surmising that "crowdfunding is not for everyone, particularly those who are too scared to tell the world about their business and shout about their fundraiser".

THE GROWING POWER OF THE CROWD

Alternative financing transaction value forecast in the UK (in million US dollars)



Statista 2020


Brian Bumby via GettyImages

FINANCIAL SUPPORT

When to accept government aid

The government has offered companies billions in pandemic financial support schemes, but there is a lot riding on the decision whether or not to accept help, so how do chief financial officers decide?

Simon Brooke

The devastating effects of the pandemic on hundreds of thousands of businesses throughout the UK has prompted chancellor Rishi Sunak to hose down the economy with eye-watering sums of money.

According to HM Revenue & Customs figures, as of December 31, 2020, £49.28 billion had been claimed under the Coronavirus Job Retention Scheme (CJRS) and, overall, £71.79 billion in loans had been approved across four main government-backed schemes by January 24, 2021.

Chief financial officers (CFOs) and other senior finance staff have had to consider carefully what to apply for, how to use the money and how accepting support from the government might affect their business reputation.

Directors of some large companies taking state support to pay furloughed staff have been criticised after accepting pay cuts but then being rewarded with generous long-term incentive plans for hitting targets.

Meanwhile, Tesco revealed it would be working with the government to repay £585 million it saved thanks to the coronavirus business rates relief scheme after its sales actually increased during lockdown and it paid shareholders £315 million.

What factors have CFOs been considering when deciding whether or not to seek government support and, whether they've received any cash or not, what other actions have they taken to shore up liquidity and their organisation's viability?

Decisive early action

"Taylor Wimpey chose to utilise the government's CJRS in April 2020 to support the long-term sustainability of the business and as a precautionary measure given the uncertain outlook at the start of lockdown and throughout the height of the first wave," says CFO Chris Carney, who worked closely with fellow board members on the company's strategy.

"In times of uncertainty, it is important to take decisive early action to protect the liquidity and resilience of any business, prioritising the needs of employees as well as wider stakeholders."

By June 1, all Taylor Wimpey's employees had returned from furlough. "We felt it was the right thing to do in the context of the resilient trading and strength of the business. Despite the short-term uncertainty, we felt confident the company was well positioned and the market environment would continue to be supportive," says Carney.

While freelancers have complained about getting almost no help, some small businesses feel they have also been given less support than their larger counterparts.

"Furloughing met a genuine need for small businesses, but it concerns me we will all be paying a big price for the many large, well-capitalised and profitable institutions that took advantage of this scheme like, for example, banks and wealth management firms, which really did not need to," says Lawrence Gould, a part-time CFO and mentor for a number of small and medium-sized enterprises.

Struggling startups

Gould points out that some startups struggled to satisfy the conditions for the Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan Scheme as they had not yet reached profitability. "A lot of these businesses would have become profitable employers but, with the advent of COVID, have fallen by the wayside," he says.

Ben Adams, CFO at Get Nourish3d, a manufacturer of personalised vitamin products, says: "Furlough wasn't really an option for us as a startup business. We have a small team with very varied and specialist roles, and unfortunately the furlough scheme didn't allow for any flexibility. While some areas of our workload decreased initially, we still needed our skilled team to be able to work throughout the crisis."

As a result, Adams had to focus on what the business could do for itself. "I joined the business in March 2020, just before the first COVID-19 lockdown, so it was very important for me, as for any new CFO, to fully understand the cash-flow position of the business, the key business drivers and all available sources of funding," he says. "Until you fully understand all these aspects, making decisions is difficult and you cannot support the business effectively."

Laser-like focus on cash flow

For most CFOs, whether they accepted government assistance or not, there was one area that has required laser-like focus. "Cash flow is the most important thing to manage in a crisis; it became the steer as to how we worked," says Tamsin Ashmore, CFO of Ultima, an automation and infrastructure company that didn't get COVID help.

"I did three or four different cash-flow models a day looking at all the different scenarios and assessed how we wanted to work with our customers. Keeping an eagle eye on cash has meant we haven't written off any debt this year. We've been so focused on how we work with our customers and how we assess risk, that is how we have been cash generative throughout this period."

Colleen Armstrong, financial controller at Percy & Warren PR, advises: "Spend time building strong relationships with your clients' accounting teams. Don't assume that a bigger company isn't facing the same type of pressures, with staff furloughed and others working remotely; a personal connection will always be better received. Credit check your new clients and always have signed contracts with clear deliverables, scope of work, billing schedules and payment terms."

Some CFOs chose to access government help while making tactical cash-preservation changes and undergoing significant restructuring. British Airways was one very prominent case, but Rolls-Royce, also hit by the collapse in air travel, undertook a variety of measures, both tactical and strategic.

The requirement to bolster its liquidity position as it worked on what it calls "self-help" measures was a major consideration for the company's finance team.

Rolls-Royce says: "Subsequently, in April, we announced plans to conserve more than £1 billion in cash in 2020 through a range of measures including a group-wide 10 per cent salary deferral and additional 10 per cent senior management pay cut for the rest of the year. Then, in May, we announced a fundamental restructuring of our business to save £1.3 billion annually by the end of 2022 to deal with the medium-term impact the pandemic has had on the whole aviation industry."

Reputation is a major consideration

In making a decision about whether to access government financial help, many CFOs have also considered the optics. "Reputation was one of several considerations in our deliberations; how would it look for a successful City law firm to be subsidised by the taxpayer?" says Jerry Merton, CFO of Bristows, a law firm specialising in life sciences and technology, which didn't take government support and suspended partner distributions instead.

Communication has been central to his strategy. "We realised we'd have to increase the level of communication with all our staff to explain what we were doing. We also communicated regularly with our clients to assure them we'd continue to be there to give them the legal support they need," says Merton.

Ron MacEachran, CFO of Isle of Harris Distillers, has had a similar focus. In particular, he's been concerned about "the ability to engage positively in the market, maintaining both our profile and a great level of customer service, without the risk of short-term liquidity pressure". He adds: "It is vital to maintain a close and open relationship with your key funders – investors and banks – giving them the best opportunity to support your short-term needs to facilitate medium-term sustainability and development. It was this relationship and line of communication that allowed us to get the support we needed from HSBC."

Amanda Murphy, head of commercial banking at HSBC UK, says: "We encourage businesses to keep talking to their bank, whether that be about the government lending schemes and what companies need to do next or investing for growth. There will always be opportunities for businesses that have built capacity, flexibility and agility into their operations to grow."

51%

of CFOs say that increasing cash flow will be a primary strategy for building business resilience over the next 12 months

Proxima 2021

> **Furloughing met a genuine need for small businesses, but we will all be paying a big price for the many large, profitable institutions that took advantage of this**

HOW MUCH THE FURLOUGH SCHEME COST

Coronavirus Job Retention Scheme claims by employer size, as of 31st October 2020

HMRC 2020

Employer size	Employers furloughing staff	Take-up rate	Value of claims (in million GBP)
1	127,900	18%	1,219
2-4	206,900	31%	3,841
5-9	88,000	36%	3,855
10-19	52,300	38%	4,094
20-49	40,500	46%	6,092
50-99	13,000	45%	3,780
100-249	7,800	45%	4,277
250+	5,700	49%	16,097
Unknown	700	28%	60

Commercial feature

From chief financial officer to chief future officer

A coronavirus-induced acceleration of digitalisation provides a once-in-a-lifetime opportunity for chief financial officers to redefine finance from transactional function to strategic adviser for the business

The coronavirus pandemic may have slowed down many industries, but in the area of digital transformation it's had an enormously accelerating effect. According to research by McKinsey, companies have speeded up digitalisation of internal operations and customer and supply-chain interactions by three to four years. In the finance function, which has historically lagged behind in the technology stakes, it is helping redefine the role of the chief financial officer (CFO).

From bean counter to strategic adviser to the chief executive, the elevation of the CFO's role, and indeed the entire finance department, has been a long time coming. But it can only happen if the digital foundations are in place. In a study by Accenture, 43 per cent of CFO respondents said technology was the biggest barrier to achieving the kind of real-time insights they needed to improve strategic decision-making.

"The pandemic has amplified the importance of digitalisation, starting with invoices," says Raphael Bres, chief product officer at Tradeshift. "Clearly, there are more aspects of digital transformation, but when half of all invoices are still paper based, and we hear of invoices not reaching people because they're stuck in the post, the lack of connectivity is a significant barrier to CFOs and the finance function as they look to expand their role.

"Manual processes breed inefficiency, prevent collaborative working and take focus away from strategic thinking. Fortunately, we have definitely seen an acceleration of digitalisation projects, which can reduce accounts payable processing costs by 80 per cent and streamline the approval process. Meanwhile, we see that the finance department is now at the core of driving wider digital transformation in the business. As soon as you have CFOs and their team driving the adoption, this is where we see the most success."

Improving success rates is crucial when, according to McKinsey, 70 per cent of digital transformation efforts fail. While a lack of flexibility in previous technologies has played a part, other challenges have emerged. When it comes to digitalising end-to-end payables processes, specifically, poor take-up among sellers, who felt perhaps forced to join a digital platform with little incentive to them, has contributed to failures. Tradeshift is tackling this by creating a specific value proposition for sellers and enticing them to self-register to its platform, the largest global business network for buying and selling.

The Tradeshift platform, which processes more than $500 billion in transaction value, helps companies digitalise all their trade transactions and collaborate on every process. Thanks to partnerships with the likes of FRDM, Normative and SiSid, meanwhile, it also allows CFOs to maintain proactive control over a range of risks, including modern slavery, environmental, social and governance performance, and fraud. Its Automation Dashboard enables companies to dial up their automation of finance processes in a gradual fashion tailored to their needs, and its real-time data and analytics capabilities facilitate the CFO's new role as core business leader.

"In a world of constant change, where forecasts and strategies have to be frequently revisited with new assumptions, CFOs have a huge role to play as some sort of super consultant for the CEO," says Bres. "To be able to focus on those strategic projects, they need to be liberated from the mundane, manual transactional tasks that have traditionally dominated their time, especially when you have large number of suppliers and invoices globally. Artificial intelligence and machine learning are central to this.

"The finance department has to put a clear stake in the ground when it comes to automation. We actually see CFOs taking over some of the chief information officer's responsibilities in this area. Before the pandemic, CFOs didn't really have a strong view of advanced technologies. Now, having seen the value in key areas like accounts payable automation, they are not only adopting new innovation, but leading the digital transformation charge. They are embracing the opportunity to reconfigure finance for the future."

LEVELS OF AUTOMATION ACROSS CORE AP OPERATIONS

	Fully automated	Somewhat automated	Manual/not automated
Invoice processing	35%	43%	22%
Cash management	16%	37%	48%
Reporting / analytics	15%	49%	36%
Supplier onboarding	7%	42%	50%
Exception management	5%	54%	41%

> **CFOs are embracing the opportunity to reconfigure finance for the future**

For more information please visit tradeshift.com

Tradeshift

TALENT MANAGEMENT

Finding the next generation of CFOs

In a recent survey, 45 per cent of those questioned believed insufficient attention was being paid to developing the skillsets of the next generation of CFOs

Jonathan Weinberg

When we predict the future of the C-Suite, the chief financial officer (CFO) looks set to be pivotal. In this choppy economic world with workforce and investment priorities ever-changing, their brief may even become more influential, and more powerful, than that of the CEO.

But many believe not enough is being done to find and equip the best new talent for this critical boardroom position. In a survey for ACCA, the global body for professional accountants, 45 per cent of those questioned believed insufficient attention was being paid to developing the skillsets of next-gen CFOs.

Others question how important traditional accounting should be when elements such as cybersecurity, ESG and cryptocurrency may all have increasing importance. The need to offer the whole business insight into granular data could even push the CFO more into the CIO sphere.

So what skills should be nurtured - and how can the diversity of future candidates be improved?

Izzy Dawood, CFO at global online payments company Paysafe, said: "If you ask many CFOs, very few started their careers saying they wanted to be a CFO. Instead, they focus on building their skills, growing their experience, seeking mentorship and building high performing teams. That's certainly the mindset you are looking to identify.

"The next generation will obviously need to be highly competent in several technical areas (not all) as well as three other core areas: leading teams, mental agility, and the ability to simplify complex items and articulate this information to multiple constituents with varying company and financial knowledge."

Softer skills, such as commercial acumen, communication, problem-solving, negotiating and influencing would support this, Dawood added.

Alina Ciocan, Finance Operations Manager at Kani Payments, agrees that the CFO is no longer just a number cruncher. "They drive business values and risks, money-saving initiatives, procurements, external investments and other elements that help a company look to the future and plan its next market moves; because of this, CFOs often come from within the organisation after moving through the ranks – those who live and breathe the company."

> "The finance industry needs an image rebrand to become more open and approachable

How to boost CFO diversity

External talent acquisition is also important though and Ciocan suggested scouting beyond the UK's financial hubs as potential candidates could "come from anywhere".

She added: "As a way of further encouraging diversity, the finance industry needs an image rebrand to become more open and approachable. If a business hasn't already, it should begin promoting its own diversity programme and work with networks that support women and BAME individuals in finance. It can then progress to direct mentorship programmes to support individual development within the company.

"This is a way to lift those who will struggle to find their footing in the finance sector before they even begin."

Bernard Huger, CFO of security platform OneLogin, also believes that "there is no single track to becoming a CFO." He said: "The best candidates are the people with something to prove. They may not come from typical backgrounds, and may have been overlooked in the past. In fact, I think non-traditional backgrounds may yield candidates that are better than, say, people on the CFO path with a traditional accounting background."

Huger added CFOs will ultimately be the 'Chief Truth Tellers' in an organisation. "They need to arm others with the facts and make sure that conversations and decisions are based on the facts. By owning the data, and making it available as appropriate throughout an organisation, a CFO can fulfil that role. This is a problem that is increasingly important to solve."

Debbie Bowen-Heaton, partner at consultants Oliver Wight, believes future CFO candidates will need a strong backbone. "The pandemic has shone a spotlight on the importance of the CFO's role in combating the CEO's state of denial. They need to be even more of a number sceptic and yet be brave enough to challenge their CEO and board when they need to. CFOs will be ever more valuable to the CEO as a mirror to highlight and show up errors the CEO makes."

New ways to learn

Sarah Danzl, skills expert at Degreed, predicts the future finance leader will learn and train differently too, using newer methods such as video content and TED Talks, blogs and articles, online courses, podcasts and peer-led learning.

Degreed's State of Skills report makes interesting reading, finding "advanced data analysis and mathematics" and "quantitative and statistical analysis" were lower down the list of the top 10 skills most in-demand in 2021 for finance leaders than "advanced communication and negotiation" and "entrepreneurship and initiative-taking."

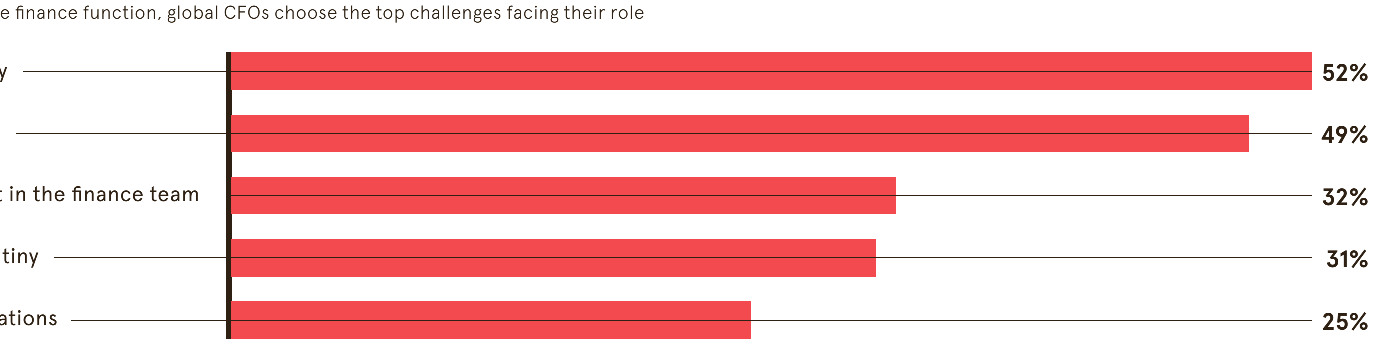
Danzl explained a greater focus on skills going forward will reduce bias in the recruitment or promotion process. "For a finance leadership position, someone who can show they have the majority of the most in-demand skills will have more of an advantage over someone with less of a skill profile. This approach strips away other factors such as educational background, gender identity, race and sexual orientation and so can help to boost diversity."

But Dan Wells, founder of GrowCFO, points to one issue for future progression, acknowledging many in the next generation of CFOs may feel uncomfortable discussing their career aspirations with their boss, "making them less-prepared for any opportunities that arise".

However, Wells believes the increasing use of technology platforms for numbers-based facets of a CFO's role means the nature of the job is changing hugely, arguing this is a good thing for widening the pool. He said: "GrowCFO analysis shows that the non-financial element of the CFO role will increase from 60 per cent to 95 per cent during the next 20 years, in particular towards driving strategy and change. The role has become a lot more collaborative by nature and should appeal to a wider range of candidates."

5 OF THE TOP CHALLENGES FACING THE MODERN CFO

Considering the strategy of the finance function, global CFOs choose the top challenges facing their role



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Meeting the Future CFO

Here, three finalists from the Future CFO of the Year Award category at the TARGETjobs 2020 Undergraduate of the Year Awards give their insight.

MARY LETEY
Studying Mathematics at University of Cambridge
The pandemic has shown that rigidity and overly-structured corporate ideals won't hold up long-term. CFOs will have the challenge and responsibility of motivating future employees in a way that's agile and strategically adaptable – as the world becomes more complex, without sacrificing well-being. My generation is also more acutely aware of social issues such as representation gaps and inequality, and I believe we have a great capacity for driving meaningful change in these areas.

CHWAS ROSTAM
Studying Business Management at University of Surrey
To encourage a more diverse selection of candidates, I recommend establishing partnerships with charities like Social Mobility Foundation (SMF) and SEO London, and specialist recruiters. This will create new opportunities for underrepresented groups, giving boards a more diverse pool of candidates to assess when selecting the organisation's next CFO. Mentoring and sponsorship programmes will empower underrepresented groups to further pursue their ambitions as they learn from the invaluable insights of their superiors.

VAISHNAV RAJKUMAR
Studying European Politics at King's College London
What attracts me to become a CFO isn't just the financial aspect. A major platform of mine during the award application was the renewed focus on environmentally-aware actions. CFOs don't necessarily need to have a finance degree – simply a genuine interest, backed by extensive background reading. No-one is inherently ineligible to become a CFO. The word 'Financial' in the title often discourages many from aspiring for this role, bringing to mind intimidating spreadsheets and data processing.

Commercial feature

Q&A

Why there's never been a more exciting time to be a CFO

Even before the pandemic, the role of the chief financial officer was evolving rapidly. Now it's more important than ever for businesses and finance professionals to embrace the CFO's power as an empathetic and strategic partner, as **Mark Craddock** and **Lynne Colgate** of specialist executive search and interim management firm Eton Bridge Partners explain

Q How has the role of the CFO evolved in recent years?

A Craddock: There has never been a more exciting time to be a CFO. Twenty years ago, the finance director was more focused on accounting, cash and tax. Fast forward to today and the role of the CFO has never been broader, deeper, more commercial and more important. In nine out of ten companies, they are the chief executive's natural deputy and business partner. Their role is to help set the vision and strategy of the organisation and ensure that it is successfully executed, not just financially but from a holistic business performance perspective.

Colgate: Today's CFO needs to have the leadership and people skills to enable them to inspire and galvanise. They need to be able to assemble a team around them, motivate that team and delegate efficiently. We've seen many more CFOs appoint strong deputies to run finance on the day-to-day level so they can allocate the detail to others, freeing themselves up to partner with the chief executive and think strategically.

Q What other skills do CFOs need?

A Craddock: One of the skills we're seeing in strong demand for both the interim and permanent CFO positions we cover is emotional intelligence. Interpersonal skills, not just IQ, are now essential. Of course, the modern CFO needs to be intellectually sharp, but increasingly clients are saying, "Yes, IQ is important, but emotional intelligence is even more critical. It's possible to learn new skills, our company, our sector, but softer skills are more difficult to teach." The progressive CFO needs to have exceptional leadership and interpersonal skills.

Colgate: It is also vital for CFOs to be storytellers, to be adept at engaging with their internal and external audience. A chief executive needs the CFO to have those relationship-building skills and leadership qualities so people will trust them. Then, externally, when it comes to investors and analysts, the CFO needs to be able to bring the corporate narrative to life and engage with hearts as well as minds.

Craddock: Rishi Sunak is an interesting example as he is effectively the country's CFO. As chancellor, he can talk with humility and authenticity; he's a natural communicator, whether you agree with him or not. The need for these softer skills has been accelerated in the last year with employee well-being and the creation of an inclusive organisation both high on the agenda. As with all board members, diversity and inclusion will be part of the CFO's remit and no longer sits neatly with the human resources function.

Q What opportunities does the future hold for CFOs?

A Craddock: The CFO will continue to be even more involved in the setting of strategy and vision. They will ensure the business is future-proofed, that they create an inclusive culture with the right pipeline of talent as well as remaining commercially viable. The smart CFO will always turn the situation to their advantage and see opportunities for both saving and making money. Alongside this, another key opportunity for the CFO will be to understand and drive the environmental, social and governance agenda for the business as this comes under more scrutiny in the coming months.

> "Never before has the CFO been under a brighter spotlight but this is an opportunity, a platform

Colgate: Never before has the CFO been under a brighter spotlight but this is an opportunity, a platform. Even CFOs of organisations that have been struggling are telling us they are grateful for the lessons and the challenges the last 12 months have given them. Their attitude is often, "If I can get through that, I can get through anything." This is a time of regrouping, of new beginnings and the voice of the CFO has never been more important. If you are a CFO with this attitude, you have a really exciting future.

To find out more about our executive search and interim management offering please visit etonbridgepartners.com

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