

5 Actions CFOs Can Take Now to Fuel Growth and Profitability

How to improve decision-making and outperform in the face of economic uncertainty

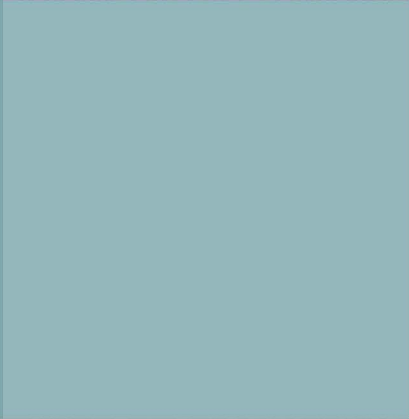
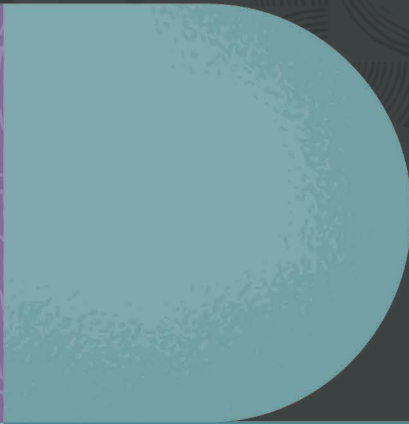
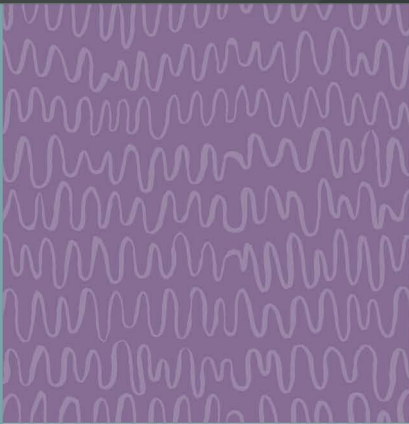


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A definitive moment for CFOs

CFOs today find themselves trying to navigate an economy full of contradictions. Large, high-profile layoffs have made headlines, the world political environment remains fraught, and almost all CFOs (93%) are planning for a mild recession, according to Deloitte,¹ as inflation persists globally. Yet unemployment across the 38 countries within the Organisation for Economic Co-operation and Development (OECD) was running below 5% in the first half of 2023,² with a near-record low 33 million people unemployed, and a survey from ManpowerGroup showed nearly four in five companies globally have difficulty finding the talent they need.³

Even as they brace for recession, finance chiefs polled by Deloitte in early 2023 were notably more optimistic about where the global economy would be in one year than they were just a few months earlier. Whatever adjective you choose to describe this climate—uncertain, unpredictable, bizarre—it's most certainly not an easy environment for business planning and investment.

This collision of events creates a definitive moment for CFOs and the companies they guide. Research from management consulting firm Bain & Company shows that, during the 2008 downturn, many more S&P 500 companies moved either up or down in terms of operating margin—rising to the top quartile or dropping to the bottom quartile—than during the more stable period that followed.⁴ In other words, the decisions that leaders make during economic downturns magnify the gap between top and bottom performers.

All of this has put CFOs in the spotlight—and the driver's seat. CFOs and their teams are the keepers of and experts on the data that business leaders lean on to make decisions. They depend on finance insights to decide where to allocate resources and make trade-offs that boost profitability without strangling growth. As growth at all costs becomes a distant memory, stakeholders including CEOs, investors, and employees are counting on finance leaders to help the organization simultaneously identify investments with long-term payoffs and trim costs in the right places. To help CFO teams succeed in this high-pressure, high-profile role, below are five strategies and specific actions CFOs can adopt to help their organization emerge stronger from today's uncertainty.

¹ Deloitte, "CFO Signals: What North America's top finance executives are thinking—and doing," First Quarter 2023.

² The Organisation for Economic Co-operation and Development, "OECD unemployment rate stable at 4.8% in April 2023 while youth unemployment hits record low," June 2023

³ ManpowerGroup, "Global Talent Shortage Reaches a 17-Year High" 2023.

⁴ Tom Holland and Jeff Katzin, "Beyond the Downturn: Recession Strategies to Take the Lead," Bain & Company, May 16, 2019.



1 Improve forecasts to plan for uncertainty

Recent global events such as the pandemic, geopolitical issues, and economic uncertainty help explain why 47% of CFOs surveyed by PwC said building predictive models and scenario analyses is their top priority.⁵ Long-range scenario planning forms the basis for strategic goals and operational plans by illustrating how various moves—an acquisition, a divestiture, building out a new business unit—could affect outcomes. Nimble finance teams can also help departmental leaders apply scenario planning and forecasts to their everyday decision-making, such as changes in sales comp plans, the impact of adding a new supplier, or changes to customer payment terms.

Manuka Health, a New Zealand-based natural health company, cut its budgeting process by weeks. Running a new budget scenario used to mean adjusting 30-plus spreadsheets to create one rolled-up budget. Now, with Oracle Cloud Enterprise Performance Management (EPM), changes are made on the fly, with total budget numbers available immediately.

[Manuka Health boosts business predictability](#)

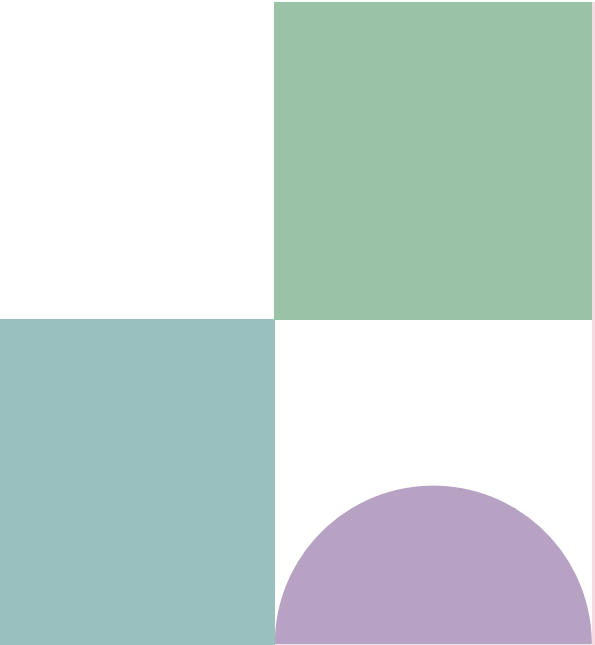
As CFOs look to improve their forecasting capabilities, they can focus on:

- **Accurate, up-to-date data:** Simple concept, yes, but this can be a fundamental challenge for companies that lack a cloud-based ERP system that is a central source of transactional and operational data. Replacing disparate systems can prove well worth the effort.

⁵ PwC, "CFO Insights from the PwC Pulse Survey," August 18, 2022.



- **More frequent forecasts:** Those long-range, strategic plans should cascade into shorter-term financial and operational plans and forecasts, with cash flow forecasting of particular importance right now. CFOs can take stock of whether they have the data and relationships throughout the business to improve the quality of these near-term forecasts and quickly produce and share them so they can respond faster.
- **A connected planning system:** Heavily customized spreadsheets will only become a source of confusion and inefficiency as CFOs collaborate with more lines of business across the company to help them make decisions that drive profitable growth. A cloud-based forecasting solution that's directly connected to the ERP, HCM, supply chain, and other downstream systems eases these problems because everyone is looking at the same up-to-date numbers. The result: better collaboration and more accurate forecasts.
- **Improve forecast accuracy:** Companies can improve forecast accuracy by using predictive algorithms and automating analysis with AI, which can help remove forecast bias. Finance teams can help guide what parameters a model might consider to make predictions for outcomes such as revenue, payments and cash flow, and customer retention. Using such models, combined with human judgment, can both speed up forecasting and make it more accurate.



EEI, a Philippine construction company, is now publishing its monthly financial report two weeks faster than it could before. Keeping tabs on large-scale projects that could involve **6,000 activity lines for a single project was a challenge for EEI—they might be managing 40 projects at once**. Now, with Oracle ERP Cloud, profitability can be tracked with enhanced visibility and costs of thousands of activities can be managed across the company.

[EEI runs its quarterly consolidated financial statement in 5 minutes, down from 20 days](#)

2 Make allies with AI: Aligning humans and technology

While the C-suite is no stranger to three letter acronyms—ROI, KPI, ESG—the one talked about most right now seems to be LLM—large language models. More specifically, the LLMs developed by the likes of Cohere, OpenAI (ChatGPT), and others that executives are scrambling to understand. These rapidly evolving AI technologies have raised heavy questions for the finance organization: What are the best opportunities to use AI today? Looking further out, how will AI change the finance workforce and the skills people need? CFOs need answers, because finance is well-positioned to apply AI to its own operations and to help the larger organization take advantage of it.

What are the best AI opportunities today?

CFOs have a head start in understanding the potential impact of AI, thanks to their years of experience using robotic process automation (RPA). RPA isn't AI, but its use offers lessons in how technology can eliminate costly, error-prone manual work and let humans focus on more nuanced tasks.

Think about the finance work where automation's already driving efficiency:

- **Financial reporting:** Generate and instantly update reports on profitability, taxes, or countless other areas for better and more timely context about performance.
- **Financial close:** Match transactions to external records, only flagging entries without a match or those above a certain amount for human review.
- **Financial planning and forecasting:** Automation and AI can assess forecasts and look for variances to serve up predictive insights.
- **Procurement:** Create and approve purchase orders with just a few clicks.
- **Employee experience:** Process payroll and administer benefits with minimal intervention from HR.
- **Compliance and risk management:** Quickly analyze copious amounts of data to identify potential problems and bolster compliance.



Predictive and generative AI will likely build on RPA to accelerate the automation of more complex financial tasks. Here are four examples of manual or repetitive tasks where AI may increasingly take over or provide support to finance teams:

- **Speed up variance analysis:** Instead of finance studying large amounts of data in variance reports, AI models will automatically analyze the data and highlight hot spots— anomalies, large variances, or human bias in forecast trends. Finance pros can then jump right into dealing with these problems, saving them the arduous task of hunting for issues in reports.
- **Automate account reconciliation:** By learning how accounts are reconciled, AI models will be able to automatically reconcile thousands of accounts in minutes, saving accounting teams hours of work. The teams will only have to deal with exceptions that can't be automatically reconciled.
- **Monitor and analyze the close process:** By continuously monitoring the steps in a financial close workflow, AI models can highlight and watch for potential bottlenecks and alert finance teams, who can head off problems before they stall the process.
- **Generate forecasts:** AI models will automatically seed or generate forecasts based on historical and trending data, providing a starting point from which finance teams can augment the plans with their context and judgment about business and economic conditions. Finance pros then aren't creating forecasts from scratch; they're refining and vetting them, drastically shortening the forecast process.

How AI will change what finance teams do

Finance organizations need to start experimenting with how they can use AI to help the organization make better decisions that drive profitable growth. Finance teams can use their broad knowledge of a company's data resources and combine that with AI models to help companies tighten their business operations. A few broad ways to think about AI's potential for improving operations include:

- **Providing assistance:** AI can provide decision-making support through digital assistants and other conversational UX, intelligent recommendations, scenario modelling, and anomaly detection, such as risk and fraud detection.
- **Automating routine tasks:** In finance operations, prime areas for expanded automation include invoice matching, exception handling, and monitoring tasks such as expense reviews. This automation often only requires simple machine learning algorithms, but it's powerful nonetheless.
- **Mining processes for efficiency:** Process mining offers a prime example of how AI can help a company tighten operations. An AI model learns how a process is working, how long it takes to accomplish each task, what problems or exceptions can occur, and what the process costs. Operating teams can use this knowledge to simplify and speed up a process without the finance department having to hunt down transactions or employees having to babysit each step of a process to keep it from going awry.
- **Kick-starting analytics:** AI can scan through vast amounts of data to discover trends, identify anomalies, and even spot errors. AI won't provide all the answers, but it accelerates the search.

AI will change how the world does business and compel employees to develop new skills. But there are core competencies that CFOs and finance professionals have that the technology can't replace—sound judgment, accountability, collaboration, and ethics, to name a few.

The emergence of AI means that CFOs' teams will need to embrace and polish skills, including:

- **Creativity:** Imagine and ask questions of their company's data—beyond just financials—that couldn't be answered before AI.
- **Collaboration:** Show other leaders how they can leverage this technology and strategize with them on the real business challenges it can address.
- **Communication:** Use AI to help build a story for the rest of the C-suite and board around data that illustrates the “why” behind the numbers. In addition, the finance team can bring its expertise in financial and operational data, plus compliance and regulatory accountability, to explain how AI reaches a given conclusion, what data it uses for analysis, and what its algorithms should and shouldn't be trusted with.

In evaluating AI use cases, CFOs can also bring the practical discipline they've long brought to such technology and strategy choices: What business problem are we trying to solve, what is the cost and value of leveraging technology, and what are the risks and downsides?


3 Influence the organization in new ways using data to build bridges

To illustrate the evolution of the CFO role, consider the budgeting and planning process. Traditionally, the finance team would go to each line of business and ask for its annual budget. The two sides would debate what stays and what gets cut, but often with one big problem—different departments were looking at different data to support their arguments.


As ever-improving software gives companies vast and accessible information, plus better tools to interpret that data, there's a clear opportunity for CFOs to increase their value as a connector of disparate functions and a collaborator throughout the organization.

A few areas where CFOs can partner with other leaders and business units for better business results include the following:

Finding and keeping the right talent: Collaboration between HR and finance puts the organization in a better position to land the talent needed to deliver on its strategic priorities.⁶ Integrating finance and HR systems facilitates collaboration since it lets teams align headcount planning to the company's demand drivers and budgets for a more comprehensive, dynamic workforce strategy. This also lets leaders from both groups keep a closer eye on integral resource metrics such as resource capacity utilization, cost variance, and ramp-up time needed for a new hire to reach full productivity.



Consultancy Korn Ferry estimates that more than 85 million jobs could go unfilled by 2030.



⁶ Michael Franzino et al., "The \$8.5 Trillion Talent Shortage," Korn Ferry, 20

Creating the right incentives: Finance also can work with HR and business unit leaders, such as sales, to develop incentive plans that align to bottom-line results. For example, does the sales team have the right incentives to sell the most profitable products? Are they making decisions such as offering overly generous payment terms that can slow cash flow?

Rationalizing the product portfolio: Finance can partner with operations and sales and marketing to determine which product and service offerings deserve additional investment and which should be pared back or cut entirely. Factors that play into these decisions include recent or forecasted sales and profitability; product lifecycle stage; and the difficulty of acquiring the necessary raw materials, components, and labor. The finance team can evaluate the numbers and collaborate with other functions to help provide recommendations.

Boosting supply chain resilience: Finance has often been tapped ad-hoc to help respond to the supply chain disruptions of the past few years. But if a finance team gets involved earlier, it can help develop a process that connects financial and supply chain planning to guide strategic decisions that mitigate risk. What's the cost of adding new suppliers in other regions? Would the benefits of manufacturing certain hard-to-get components in-house justify the startup costs? The CFO's office can also build out scenario plans that calculate the consequences of various possible supply chain disruptions. These can quantify the financial toll of things such as profitability as well as other concerns such as ESG.

Targeting the right customers: With their deep understanding of financial data, the CFO's team can analyze billing and other sales data to identify customers likely to benefit from complementary products or services. They can share these findings with sales leaders to target particular customers for upsells.

This role of connector doesn't just benefit these other departments; it also helps CFOs gain a more holistic understanding of what is driving downstream effects of financial decisions on factors such as customer satisfaction and supply chain resilience.

4 Sharpen finance's M&A skills: Evaluate and integrate

CFOs can help companies mine M&A gold from the caution of today's deal landscape. In the first quarter of 2023, the value of acquisitions in the United States was 40% lower than the prior five-year average, according to Dealogic. The number of deals, however, was down just 3%,⁷ pointing to a shift to smaller, safer deals. More companies selling off business units or product lines to concentrate on their most profitable operations could also mean more favorable prices.

This cautious environment could create M&A opportunities particularly for strategic buyers, says PwC. Strategic buyers can tap equity as well as debt, and corporate margins are above historical averages even after current pressures, according to PwC.⁸ Critically, strategic buyers have certain advantages over financial buyers such as private equity. A strategic buyer can efficiently slot new products into an existing supply chain or distribution model or benefit from bigger volume discounts from suppliers.

The CFO's team plays two major roles in making sure a company doesn't miss out on the growth-by-acquisition opportunities that current economic uncertainty might bring. One is at the evaluation and deal financing stage, and second—too often shortchanged—is at the post-acquisition business integration. Faster, more effective business integration can mean swifter returns, which may increase the appeal of a deal in a time when capital is intensely scrutinized.

⁷ *The Economist*, "Why Joe Biden's trustbusters have fallen short of their ambitions," June 21, 2023.
⁸ PwC, "US deals 2023 midyear outlook," May 2023.



Creating the financial foundation: Financial integration is essential, but it's only the foundation of the house, so the sooner you can have this in place and move on to integrating business operations, the better. Investigate the acquisition target's tech stack during due diligence to get a sense of the work required for financial integration. Cloud-based accounting and finance systems will speed up this process, and strong data management practices will make it easier to pull information from disparate systems until the new entity migrates to the buyer's system.

Driving business integration: McKinsey calls integration “the one task the CFO shouldn't delegate.” Finance brings accountability by monitoring metrics around the operating advantages, cost savings, and growth that justified the deal in the first place. The finance team might track the savings associated with staff cuts and identify the right productivity metrics, which will vary by industry. It could be an output measure, such as items shipped per labor hour or labor utilization, or a sales productivity statistic tightly linked to revenue. Some gauge of customer satisfaction is also crucial to head off problems.

In considering what metrics to focus on in the early days of business integration, think about a quarterly earnings call. What drives near-term income statement, balance sheet, and cash flow statement results? Focus on revenue and bookings, spending and operating margins, earnings per share, and cash flow as a starting point—you can get more detailed from there.

5 Mitigate risk without strangling growth

In a poll from global consulting group Protiviti, 1,300 C-level executives and directors ranked 2023 as the riskiest year in the survey's 11-year history.⁹ Risks emanating from increasingly sophisticated cybercrime and fraud, complex compliance regulations, economic volatility, and geopolitical unrest are proliferating and rapidly evolving. This has made effective risk management mandatory in clearing a path to profitable growth.

Setting up a solid risk management system not only helps build a risk-aware culture, it also provides a foundation for efficient compliance in terms of regulatory (Sarbanes-Oxley), privacy (GDPR), and financial covenants and requirements.

The challenge comes in finding the right balance. Too safe and the company risks throttling opportunities for growth and value creation. Too aggressive and it suffers significant reputational, financial, and legal damage.

As enterprises increasingly count on CFOs to guide their approach to risk management, here are several tactics to help:

Conduct frequent cash forecasts: Particularly as the cost of doing business rises amid inflation, CFOs must be able to proactively project liquidity and potential cash shortages. But cash forecasts that require manually collecting data from multiple places and running calculations won't cut it. Look for a system that can automate cash analysis and provide dashboards that help you view and refine cash flow forecasts, then follow these three best practices:

- **Use both short and midterm projections.** Short-term forecasts that project up to 30 days out can spot a dire cash crunch or, more likely for established businesses, a downward trend before it turns into a full crisis. Midterm forecasting, typically 6 to 18 months, can take a broader look at the business and its strategy.

⁹ Protiviti, "Executive Perspectives on Top Risks for 2023 and 2032," 2023.



- **Review variances regularly.** Comparing actuals to projected cash flow will improve the reliability of forecasts and help organizations respond to problems faster.
- **Automate as much as possible.** Teams are far more likely to use forecasting tools and processes that are connected and automated, since that means they'll have up-to-date information that they can trust. You can even automate variance analyses to continuously increase forecast accuracy.



45%

Companies that consider existing risk exposures when evaluating new strategic initiatives

Source: American Institute of Certified Public Accountants (AICPA)

Integrate risk management into strategic planning: Apart from financial services companies, less than half of organizations are seriously considering the risk exposures that come with different strategic initiatives they're evaluating, per an American Institute of Certified Public Accountants (AICPA) survey.¹⁰

Risk assessment conversations often come too late, after key business objectives and the strategic initiatives that will help achieve them are approved and put into motion. To prevent this, executive teams must collaborate during the planning process to determine potential risks, their level of comfort with those possibilities, and early indicators of risks materializing.

¹⁰ Mark S. Beasley and Bruce C. Branson, "The State of Risk Oversight: An Overview of Enterprise Risk Management Practices," American Institute of Certified Public Accountants, June 2022.

Consider establishing key risk indicators (KRIs) for your company or projects. While better-known KPIs are used to measure performance, KRIs are also used to monitor and flag changes in critical risk factors. For finance, risks identified during the strategic planning process could include an economic downturn, rising costs, and an inability to meet financial obligations. You can create a KRI to predict each risk, as well as an associated trigger point where you need to take mitigating actions. For example:

- **Economic downturn KRI:** Personal consumption expenditures (PCE) dropping by more than 2% in a market where you're planning a new product launch.
- **Rising costs KRI:** Variance of 10% or more between the budgeted cost and actual cost of a project.
- **Financial obligations KRI:** Current ratio of assets to liabilities dropping below two.

Building risk management into the strategic planning process from the start will make for stronger plans, focus efforts on the biggest risks, and force honest conversations about risk tolerance.



Combat risk with technology: Companies without an enterprise risk management system (ERM) will need to employ a group of people to evaluate and manage risks on a day-to-day basis. ERM software can drastically cut the resources needed for risk management. Look for a cloud solution that can automatically control user access, continuously monitor user activity, and support simple workflows that ease financial reporting and compliance. With the right tools, companies can be better prepared to mitigate risks while simultaneously reducing audit expenses, improving financial controls, and limiting cash leakage.

Looking ahead

Add it all up, and CFOs face a tall order. As outlined throughout this ebook, CFOs and their teams need the right combination of strategies, data-fueled insights, and technology to help drive profitable growth. That, along with their unique skills and perspective, will position finance chiefs to support teams throughout the organization in making the right decisions and trade-offs for business success. The current pressure on profitable growth further emphasizes the importance of effective CFO leadership that goes far beyond financial reporting and planning. Those who make their mark right now will solidify their place as a sage voice in the boardroom and position the finance organization as the source of insights based on data and accountability that helps the entire company realize its goals.



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