



WHEN FINANCE TAKES THE REINS OF **DIGITAL TRANSFORMATION**

**CFOs HAVE A BROAD VIEW OF HOW INNOVATION
WILL IMPACT ALL FUNCTIONS AND ALIGN
WITH FUTURE BUSINESS STRATEGY**

DIGITAL TRANSFORMATION CAN MAKE A SIGNIFICANT CONTRIBUTION to almost any business and any function. With the promise of better managed costs, streamlined business processes, and more time to focus on strategic vision, it is practically mandatory.

The commitment to digital transformation is expected to strengthen in the coming year. Among the CFO Research survey respondents, 59% plan to increase their total spending on digital transformation initiatives by at least 5% in 2020.

But who is really in charge of the digital transformation? Often these projects are driven by IT, with finance relegated to ensuring compliance and managing the budget.

Without finance in control, a transformation project can go off the rails quickly. The CFO's natural focus on budgeting and ROI, along with an

expanded role as a business partner, makes them the natural leader of the digital transformation journey.

What makes CFOs uniquely positioned to drive innovation? "CFOs are the value drivers and change enablers in the organizations due to their role in the C-suite, and their natural focus on ROI ensures that transformation is connected back to driving value for the organization," said Anthony Coletta, CFO of SAP North America.

This eBook will examine the challenges of a digital transformation, why CFOs need to lead the process, and best practices to ensure success.





CHALLENGES OF GUIDING A SUSTAINABLE **DIGITAL TRANSFORMATION**

Not all CFOs are tech savvy, although that is changing. When asked about the non-traditional strengths of the finance department, 78% cited guiding the successful adoption of emerging and evolving technologies, according to an Accenture [report](#).

It is important for CFOs to improve their technical acuity as digital transformations face barriers such as siloed systems, manual processes, and a preponderance of spreadsheets. “Those are some pretty big barriers from a technical standpoint, and they overlap with cultural hurdles, as people have

been doing these things the same way for a long time and can be resistant to change,” said Patrick Villanova, Chief Accounting Officer, BlackLine, an SAP Solution Extension for financial controls and automation. When an organization does invest in innovation, it can be difficult to sustain value following initial ROI. Digital transformation projects typically peak in the first year in terms of gaining efficiencies. The long-term business impacts, such as competitive advantage, ability to support evolving business models, and improved customer experience are more difficult to quantify, especially in a siloed environment.

There are also cultural barriers at the executive level. Finance is not always at the table, as they are still viewed by some as confined to reporting and accounting tasks. “CFOs are balancing having to continue to operate ongoing functions while moving the needle on innovation,” said Rick Rueth, Principal, Finance Transformation, The Hackett Group.

In addition, some members of the finance team may fear that they will lose their jobs to bots, once routine tasks are handled with automation such as RPA and AI.

As such, companies also need to rethink their hiring practices. The role of an accountant is changing, their jobs are expanding beyond just executing repetitive tasks to becoming partners in the business needed for higher-level strategic initiatives.

“Organizations need to be staffed appropriately, and that isn’t always the

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BLACKLINE**

case today,” said Zach Dworkis, Senior Director, Finance Transformation, The Hackett Group. “It is not just a matter of finding people with different skills, organizations shouldn’t overlook opportunities to upskill current workers to take on new roles.”

To attract and retain top-notch finance professionals — those who can handle both technology and accounting — companies must provide modern tools and processes.





WHY THE FINANCE FUNCTION IS WELL POSITIONED TO LEAD DIGITAL TRANSFORMATION

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SAP NORTH AMERICA**

The CFO is the financial steward, with an eye toward the bottom line and a handle on the company’s future revenue streams. They are immersed in the day-to-day financial transactions but also have a clear view of the road ahead.

As such, they have an appreciation for how various departments and functions will benefit from technology

now and in the future. “Up and coming finance professionals are even more prepared to capture innovation as they have been immersed in technology all of their lives,” said SAP’s Coletta.

The finance team has regular interaction with C-suite executives and business unit leaders throughout the organization, so they are aware of the impact that digital transformation can have on the organization.

By optimizing critical processes such as period-end close, accounting and finance can provide a valuable jumpstart and ROI to the broader initiative.

Accounting and finance teams understand the business requirements, the accounting, the “why” of technology and can help guide IT toward an optimal implementation and continued improvement.



TAKE A MEASURED APPROACH TO **ENSURE TRANSFORMATION SUCCESS**

It is no surprise that traditional digital transformation business cases fail, for a number of reasons. Some are too narrow in scope, so the benefits are limited to certain functions or processes. They don't have buy-in. They stall after the initial improvements are realized.

Quick wins are certainly important in the early stages of a digital transformation as a way of building confidence and gaining momentum.

Mapping out the short-term gains helps companies ultimately achieve long-term objectives.

“The problem with chasing the shiny new object is that it puts an emphasis on quick wins rather than sustainable

results,” Hank Prybylski, EY Americas Vice Chair of Advisory Services, recently **wrote**. “This is one of the biggest threats to a transformative culture and it causes companies to ultimately miss the exponential, transformative benefits of connecting digital technologies like AI, blockchain and cyber into an integrated architecture.”

While certain initiatives have a beginning and end, digital transformation is continuous. A successful transformation requires sustained effort over time. “There is a tendency to build a business case around improvements that can be achieved in the first year, get an initial bump in productivity and move on to the next project,” The Hackett Group’s Rueth said.

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SAP’s Coletta added: “If transformation is viewed as a single project, it is destined to fail. You need a vision with a clear aspiration on targeted business outcomes.”

Involve stakeholders at all levels.

“Communicate early and often with senior management so that they understand

the risks and rewards,” says BlackLine’s Villanova. “But talk to people working in the various functions to understand their pain points and how a digital transformation can help them do their jobs more effectively.”

Measurement is critical to setting short-term and long-range objectives to keep the project from losing momentum, Rueth noted. “Measurement is key to building governance around continuous improvement. It helps demonstrate that the project has immediate return and will continue to provide value over the long haul.”

Take a steady and thoughtful approach to automation. Rueth also cautioned against moving too quickly to automate every process. “Don’t be afraid to take a pause at certain points to assess where you are and determine if any adjustments need to be made.”

CONCLUSION

Successful digital transformations require a steady and concerted effort to ensure that maximum value is realized for the entire organization. As CFOs emerge as strategic business partners, their involvement in transformation efforts becomes even more integral to success.

Senior finance professionals are, by the nature of their accounting and reporting responsibilities, involved in transformation. But visionary CFOs are more than just the keepers of the IT budgets. They are positioned to optimize the value of a digital transformation, tracking short-term gains and providing a vision that drives value beyond the initial bump in efficiency.

When executed correctly, a digital transformation should provide continuous improvement over the long haul.

Key takeaways:

- Transformations face technical hurdles, including complex spreadsheets and disparate systems. There are also some cultural barriers as the team, including the CFO, needs to bolster their skills and resist the general inclination for change aversion.
- Modern CFOs balance their dual missions of cost containment and providing strategic business leadership to other members of the C-suite and business functions. As a result of their involvement in future business initiatives, they have a broader view of how a transformation will drive better business outcomes.
- Although it takes some determination and coordination on the part of the CFO, the benefits of a digital transformation that is sustainable over time reaps huge rewards, including more agile decision-making and a better experience for partners and customers.
- To sustain momentum, some strategies include setting initial goal and long-term metrics to ensure the project provides continuous value. Other keys to success: staffing for the present and the future and making frequent checks along the way.

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