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How CFOs can thrive in a post-crisis world:

The path to resilient operations

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The COVID-19 pandemic has generated severe disruption across all aspects of the business—revenue, growth, liquidity, supply chain and beyond. The impact has been pervasive and finance is no exception. CFOs have suddenly found their organizations in a firefighting mode: preserving cash, assessing risks and trying to rapidly redo all financial plans and forecasts for the month, quarter and year.

The crisis should serve as a catalyst to reinvent the operating model of the finance organization. Trends that have been sitting in an incubation mode have emerged as real working models out of necessity—and they are here to stay. This includes massive workforce virtualization, technology enablement and forward-looking, scenario-based services.

The role of finance

Today, finance faces three major challenges, based on lessons from the pandemic:

The COVID-19 crisis shifted a new urgency to an entirely virtual model. Many CFOs fared well—shifting to fully remote operations. Finance learned it could survive in an entirely virtual environment. However, as economies reopen, CFOs need to determine the right balance between physical and virtual work locations.

CFOs discovered the importance of breaking down siloes, operating finance as a more global, cross-functional team with greater agility and collaboration, gaining better insights into profitability and liquidity.

CFOs identified the need to take the lead in assessing priorities and outcomes quickly to support the enterprise during periods of massive volatility. They sensed anticipating—and identifying—the company's highest priorities and potential outcomes as most important—particularly during turbulence.

Leading CFOs are seeing COVID-19 as the catalyst for change, building a foundation for more stable operational mechanisms and, ultimately, helping the enterprise outmaneuver uncertainty. Specifically, **today's unpredictable climate calls for an anytime, anywhere finance function, value optimization capabilities and a finance command center**.

01 Establish an “anytime, anywhere” finance function

Today, CFOs need to consider making their finance operations more seamless—anytime, anywhere. A largely digitized version of finance with virtual capabilities, anytime, anywhere depends on an intelligent finance operating model that maximizes the power of functional technologies, data, artificial intelligence (AI) and talent. Putting intelligent operations at the heart of the enterprise offers a company the responsiveness to generate quicker value and ensure business continuity.

What is an intelligent finance operating model?

An intelligent finance operating model draws upon data, applied intelligence, digital technologies and talent to help finance transition from the transactional to the strategic by:

- Optimizing human and machine partnerships, freeing up the finance team to focus on more strategic activities such as planning, analyzing and advising.
- Strengthening business partnerships to deliver timely insights and accelerate decision-making.
- Making the best use of inputs from AI and machine learning algorithms to strengthen forecasting models, increasing data accuracy.
- Providing access to real-time, democratized and diverse data—a single source of truth.
- Seamlessly sourcing the best capabilities from anywhere through multidisciplinary teams.

Intelligent finance operations help a company run smoothly, with teams focused clearly on the process execution. They provide real-time visibility into revenue, collections and cash management processes. Intelligent operations help employees work efficiently, effectively and flexibly—collaborating remotely and accessing essential data using virtual tools.

Additionally, anytime, anywhere finance enhances the capability to monitor performance continuously. These operations offer the organization a crucial 360-degree insight through business metrics and customized reports.

An anytime, anywhere environment can provide finance leaders with important business essentials:

Standardized work routines. Digitizing standard procedures makes the most of technology, combining human and machine functions with tools such as AI, machine learning and robotics. The COVID-19 pandemic introduced a new urgency to sustaining ways to shift risk and responsibility to an entirely virtual model.

Enhanced insights. Finance teams are learning that virtual tools and processes—with the power of diverse data—help enhance actionable insights within days (rather than weeks or months). Additionally, the teams may be better prepared for remote work—virtual capabilities are the backbone of their business continuity standard.

Case in point

A global beverage company unlocked $600 million in working capital by using insights provided by a virtual payables optimizer advisor to identify payment patterns impacting working capital leakage such as early payments. This has positioned them for future growth.

02 Create a center for value optimization

The COVID-19 crisis has caused CFOs to re-evaluate their strategic priorities. Now more than ever, they are hyper-focused on growth, liquidity and profitability. An agile, scenario-driven center for value optimization using data, analytics and insights has the potential to deliver powerful results.

With increasing expectations to quickly deliver more action-oriented insights, forward-looking CFOs understand the importance of a center for value optimization, making the best use of data and applied intelligence capabilities. To a large extent, continual disruption has also cast the traditional three-tier company model of corporate, business-facing and back-office functions in a new light. The established model lacks the agility to meet rapidly changing business expectations and deliver practical insights quickly.

Under an optimized valuation model, finance teams meet in real time to run advanced analytics on business challenges or uncover hidden value. The new finance operating model embraces agile concepts. Finance—in lockstep with its enterprise and business partners—identifies which key challenges to address and which market opportunities to seize. Using data and analytical services, they build hypotheses—and collaborate in a fixed period to prove or disprove these theories. They focus on high-impact recommendations to business leaders that directly affect financial performance.

Anatomy of a center for value optimization

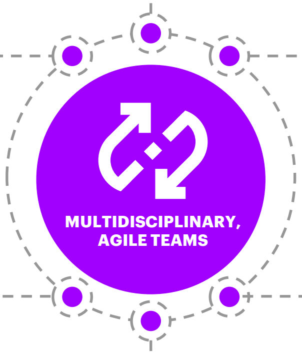
Delivering amid this new business evolution requires CFOs to break down their internal walls and, in a sense, rebuild the business with a strong backbone of data and analytics. This new cross-functional model puts the finance team at the epicenter of the business, playing the role of an advisor by drawing on pools of expertise and experience. Now, finance shifts to provide strategic insights to fuel real, tangible growth and profitability.

CVO Talent

FINANCE STRATEGISTS/ARCHITECTS
Translate data into insights, develop strategies and design new business models

VALUE REALIZATION ANALYSIS
Drive and track new sources of revenue, cost savings, and profitability

PORTFOLIO/PROJECT MANAGERS
Lead finance projects using Agile principles and methodologies



"Agile finance talent pools **break down siloes**, improve employee **performance** and **satisfaction** while driving **growth and profitability** projects across the enterprise."

Partners

NON-FINANCE PARTNERS
Non-finance functional partners (for example, HR and marketing) and/or third-party providers lend domain expertise

DATA AND ANALYTICS EXPERTS
Collect, mine, analyze and visualize data to drive data-driven decision and insights

BUSINESS UNIT FINANCE ADVISORS
Validate that solutions are appropriate for the business units and provide context

Case in point

The finance function of a major global manufacturer discovered that finance tasks were taking too long, limiting talent growth and innovation, and impacting the speed of decision making within the business. The CFO authorized a US$40 million effort to create an agile, cross-functional special forces unit to drive growth and efficiency. The team comprised talent spanning finance, accounting, operations and technology as well as direct-from-the-business segments focused on planning, forecasting, competitive and market analytics and scenario modeling. Today the new unit drives not only US$100 million in margin efficiencies, but also helps the company to maximize investments through mergers and acquisitions and its product and pricing mix.

What is a center for value optimization?

A center for value optimization is a centralized platform to:

- Perform scenario modeling at line-item level for annual planning.
- Analyze and recommend the profitability potential of new customer categories, business segments and products.
- Identify financial opportunities of expanding into growth markets.
- Enhance product profitability by analyzing sourcing strategies, including tax-advantaged structures.
- Analyze capital markets for financing opportunities, including impact on liquidity, tax benefits and return on investment analysis.
- Identify potential sources of value from operating expenditure and capital investments.

03 Set up a finance command center

Constant volatility requires a new way of thinking about the entire operating model. A command center—a cross-functional team to identify potentially challenging situations and important levers that directly connect to revenue, profitability and liquidity.

A thoughtfully assembled finance command center brings together finance's best minds (and others within the company) in a virtual environment. Together, they can triage and orchestrate key changes critical to sustaining operations under challenging conditions. This team is also accountable for identifying the most vital situations and important changes that could directly affect revenue, profitability and liquidity.

The finance command center serves as the company's trusted, most knowledgeable advisory group. It affords organizations the power to stress-test different business climates and flexes accordingly, particularly during a crisis. Where a center for value optimization is an ongoing effort, a command center is designed to meet the company's priorities only in times of high volatility. One of the team's crucial roles is to provide direction to the rest of the organization, helping prioritize the functions and outcomes most critical during a crisis. For example, the team may recommend shifting the organization to rolling and real-time forecasting cycles for greater visibility or testing investments in digital and automation to gain more certainty around operational execution.

A finance command center has three chief functions

01

Maintaining operational resilience and continuity

The command center should continually assess the resilience of the operating model and ask probing questions. For example: Where are we in our financial cycle? Are there any large customers or suppliers at risk? Similarly, what risks do ecosystem partners pose? These questions are particularly important when weighing a company's confidence in closing the books, reporting earnings and offering ethical investor guidance.

02

Monitoring company performance

The command center should create fixed and variable cost scenarios while keeping an eye on macroeconomic, geopolitical trends to predict any crisis that will directly affect a company's revenue, profitability and liquidity. The team will also play an important role in spotting trends and identifying new revenue drivers (such as new channels, new customers and new pricing strategies). What-if scenarios will be crucial, helping the team measure customer demand and navigate supply chain disruptions to mitigate risk.

03

Helping preserve cash flow

During and post-COVID-19, cash and working capital have emerged as big drivers in a company's capacity to continue and maintain operations. One of the fundamental roles of the finance command center is weighing opportunities to preserve cash. The team will create liquidity scenarios based on adjustable variables in cash flow and measure performance under both fixed and variable costs to find opportunities and release trapped value.

Key to resilient operations

Finance command center

A finance command center offers invaluable clarity and guidance to a company to stay focused on its operations and performance. A virtual team of finance's best minds can be assembled to assess, triage and orchestrate the key changes that need to take place to sustain operations under distressed circumstances.

Business Unit Finance Participation

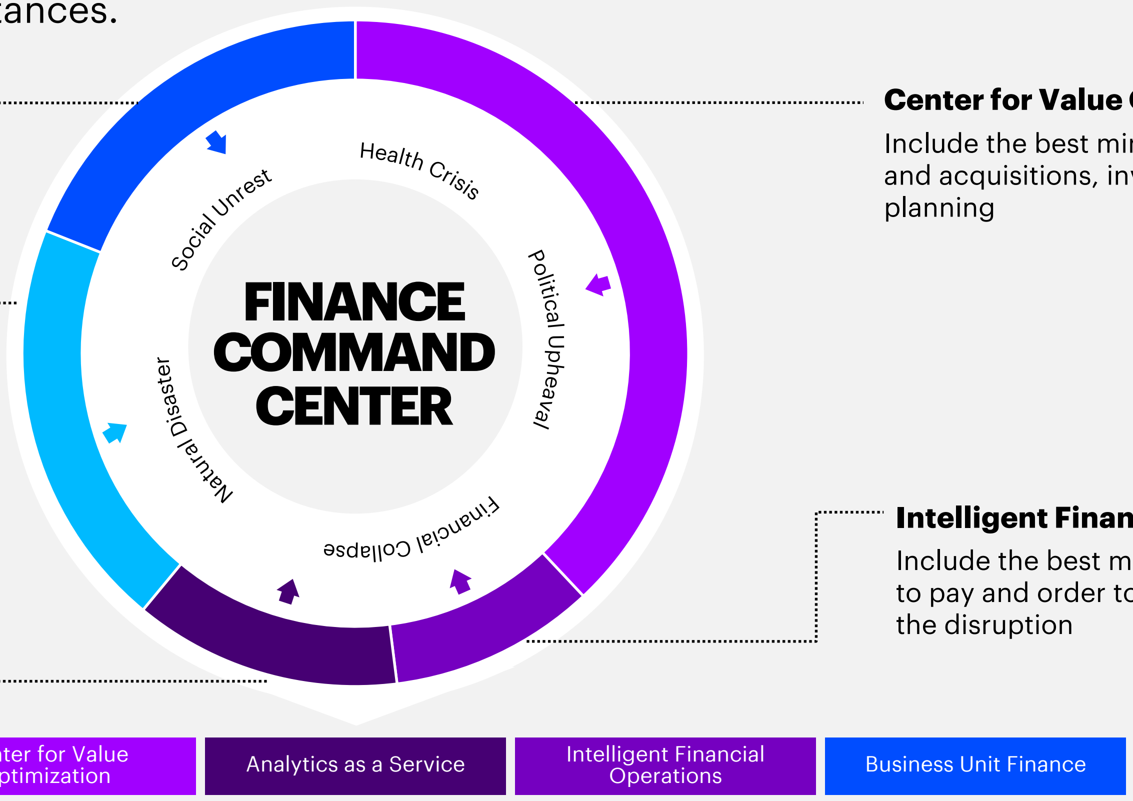
Include the best minds on functional finance (for example, supply chain, sales, marketing, technology)

Corporate Participation

Include the best minds on treasury, tax strategy, and investor relations

Analytics as a Service Participation

Include the strongest scenario analysis and data visualization resources, preferably those with prior exposure to macro and micro variable analysis



Center for Value Optimization Participation

Include the best minds on strategic planning, mergers and acquisitions, investment strategy and capital planning

Intelligent Finance Operations Participation

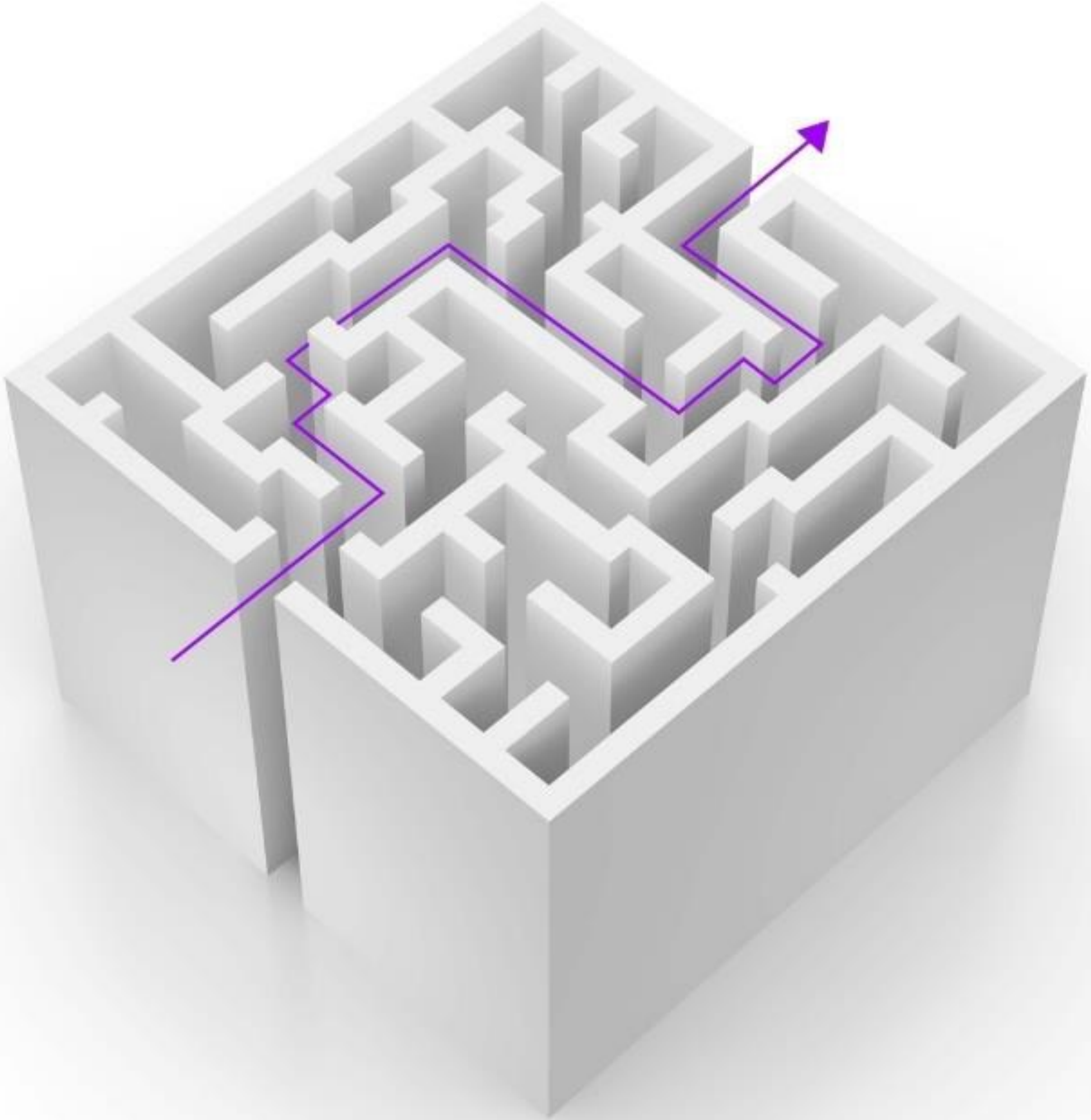
Include the best minds from record to report, procure to pay and order to cash depending on the nature of the disruption

Planning for certain uncertainty

While the finance operating model should adjust to a less volatile environment, preparation for any crisis will still be key. Once the dust settles, even as the finance command center's members return to their daily functions, they should meet biweekly to ensure readiness for a new wave of disruption, focused on assessing the finance's ability to react quickly to another wave of massive volatility.

As the storm passes, finance can help define what-if scenarios. The team should regularly scan the market for future economic, political, social or health-related threats, proactively seeking to identify the next potential crisis.

While assessing the environment, the team can pass its findings to the center for value optimization to analyze risks and probabilities more closely—using tools such as the risk predictor index.



Radical change and uncertainty call for a clear-eyed, well-crafted response. With the right talent, preparation and insights, intelligent CFOs can successfully navigate their company through a crisis—and emerge stronger. The CFOs who recognize there is no "getting back to normal" and have already put anytime, anywhere and value optimization capabilities in place can better manage turbulent times. Setting up a finance command center is an important step to emerge from uncertainty with increased revenue, expanded margins, a stronger balance sheet and greater confidence.

Contacts

Manoj Shroff
Managing Director
Finance and Accounting
Business Process Lead
Accenture Operations
manoj.shroff@accenture.com

Cherene Powell
Managing Director
North America Lead – CFO and
Enterprise Value
Accenture Strategy
cherene.c.powell@accenture.com

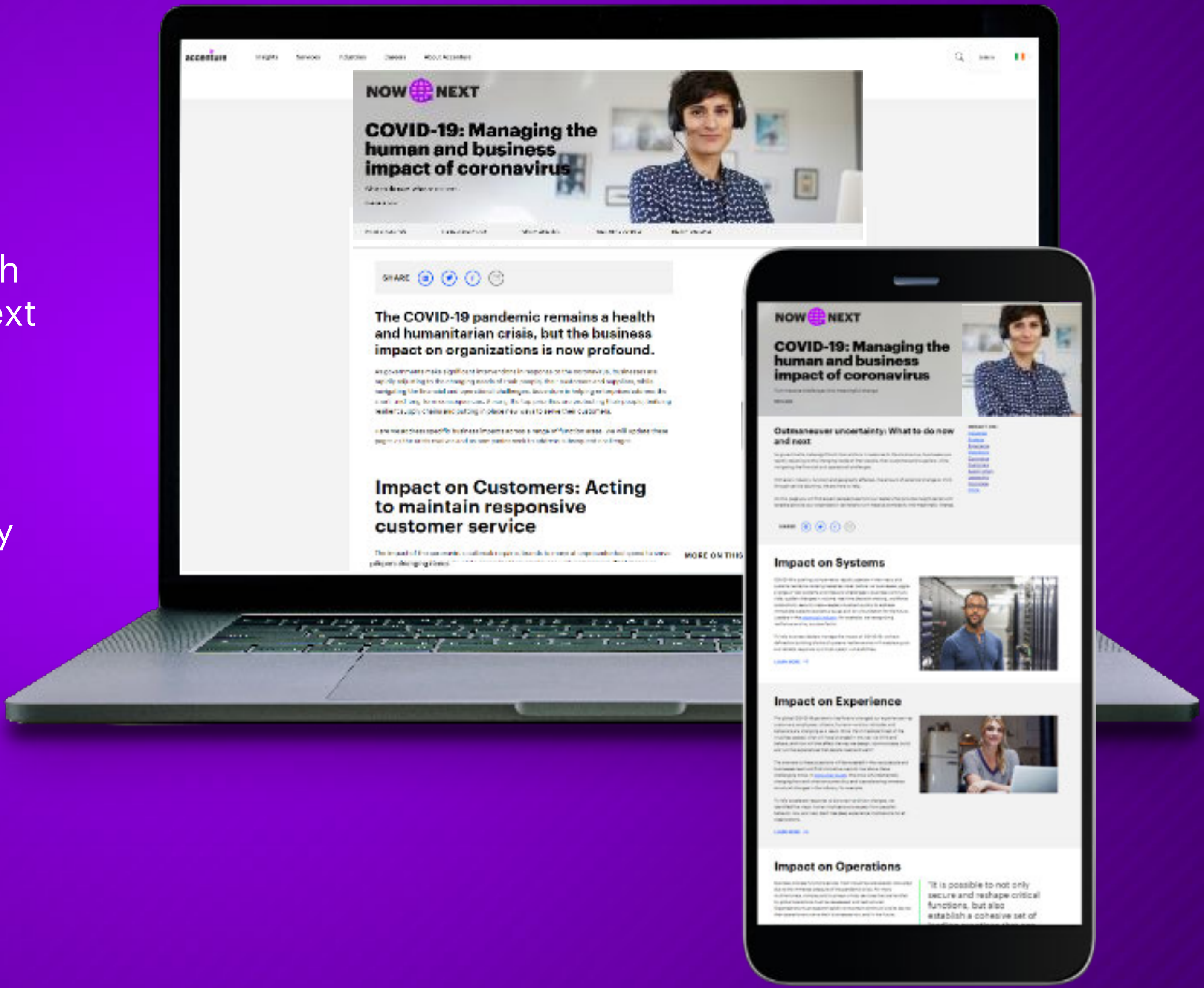
If you need any help or advice in relation to this please contact:
CVThoughtLeadership@accenture.com (please include the title of this piece in the subject line).

To help our clients navigate both the human and business impact of COVID-19, we’ve created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken now, and what to consider next as industries move toward a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

VISIT OUR HUB HERE



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