

CFO EVOLUTION[®]

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CFO EVOLUTION 2.0:

Innovation and Influence Fuel the Transformational CFO

AN ARMANINO WHITE PAPER / CFO SURVEY REPORT







CFO EVOLUTION 2.0

“In a world where everything is equally excellent, the only space left to innovate in is you . . . You are a central point in the raging tornado of change . . . How will you discover the opportunities in one of the most transformational times in human history?”

- Futurist Gerd Leonhard

As Leonhard describes in his film *Change*², the way organizations succeed, the way we work, the way market opportunities are identified and capitalized upon—nothing will ever be the same. Last year, Armanino introduced the CFO Evolution® 2.0 framework to help CFOs navigate this turbulent environment and focus on strategic leadership, steering their organizations

to success. In the following pages, we offer a deeper dive into what it means to be a truly transformational CFO – one who innovates and influences to move their business forward. We provide that context based on insights from our 2018 CFO Evolution Benchmark survey, best-in-class CFOs, our extensive consulting experience and our own market research.



YOUR CEO IS CALLING AND IT'S ALL ABOUT TRANSFORMATION

Geopolitical impacts, social trends, market forces, customer demands and most of all, technology, are moving our work and personal lives at a rate unimaginable even three years ago. At Armanino, we employ the U.S. War College term “VUCA” to describe the current state – one filled with volatility, uncertainty, complexity and ambiguity.

Today's CEOs are not running scared from the VUCA around them. Instead, they are embracing the need to dramatically change their organizations: 91 percent of U.S. CEOs are personally ready to lead a radical transformation.⁽¹⁾ With their CEOs diving directly into the storm, CFOs cannot afford a “wait and see” approach.

As a key partner and, in many cases, a logical successor to the CEO, today's CFO must take a broad view of her company's opportunities.

“A finance function that innovates and stretches toward the same aspirational goals as the rest of the organization adds to its credibility and influence,” McKinsey research tells us. “That is why when transformations are planned, it's important that CFOs step up to play a broader role, one that includes modeling of desired mind-sets and behaviors in transforming the finance function itself.”⁽²⁾

But change is hard. In separate studies with similar results, McKinsey, Bain, Gartner and *Harvard Business Journal* concluded that 60 percent to 70 percent of all business transformations fail. Given the odds of failing, it is understandable that a busy, stressed CFO gravitates to what he knows best – financial reporting and compliance – and avoids the risks and complications of transformation efforts.

“CFOs tend to tinker with the business,” says Matt Armanino, Armanino partner and COO. “They make small process and technology improvements that cut costs, but they don't routinely look at the horizon to embrace strategic change. This is where the transformational CFO can set herself apart from her peers, by embracing the challenge of executing on new, disruptive business models.”

⁽¹⁾ 2018 Global CEO Outlook, KPMG, May 22, 2018

⁽²⁾ Why CFOs Need a Bigger Role in Transformation, McKinsey, April 2017

COMPANIES WHO MANAGE TRANSFORMATIONAL CHANGE WELL ARE:



While the risk of failure is real, the rewards of success are undeniable. Companies who manage transformational change well are surpassing their goals and overtaking their competitors at amazing rates.

According to *Harvard Business Review*, CFOs are best positioned to lead change management initiatives:

“First, the finance chief is often first among equals on the board of directors and can help engage the board more productively on strategy. And second, the hard data and empirical mindset that the CFO brings to the table can be invaluable in setting and executing the company’s game plan...” ⁽³⁾





EVOLVE INTO A TRANSFORMATIONAL CFO

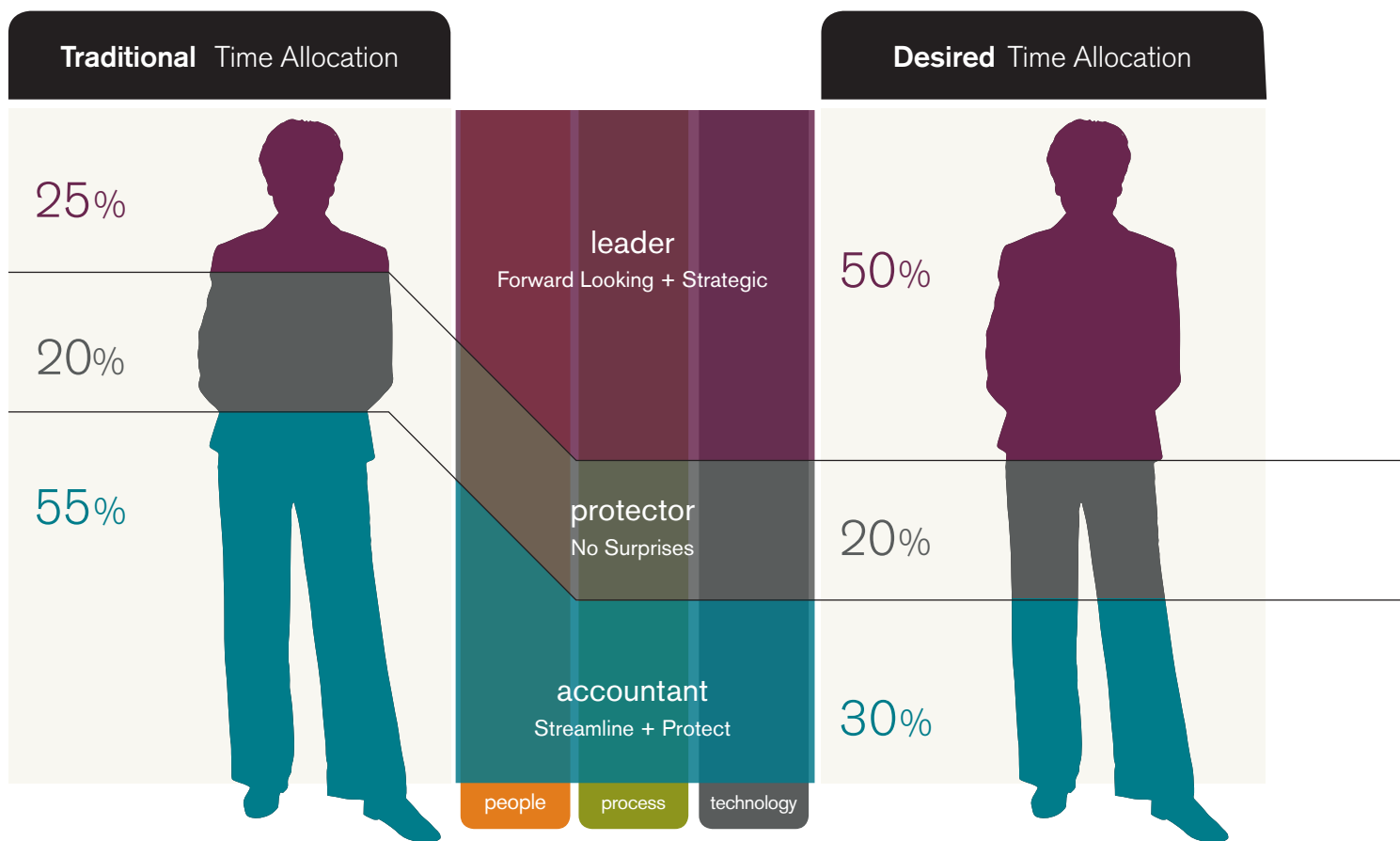
Last year, Armanino introduced the CFO Evolution 2.0 framework, which advances our original premise by focusing on the transformation required because of extraordinary forces of market disruption. For background, the original CFO Evolution was a set of initiatives focused on a CFO's role as a leader, a protector and an accountant. As leaders, CFOs must enable their organization by being forward looking and strategic; as protectors, they must optimize their organization's risk posture and help it avoid surprises; as accountants, they must streamline and be fast and accurate with processes and information.

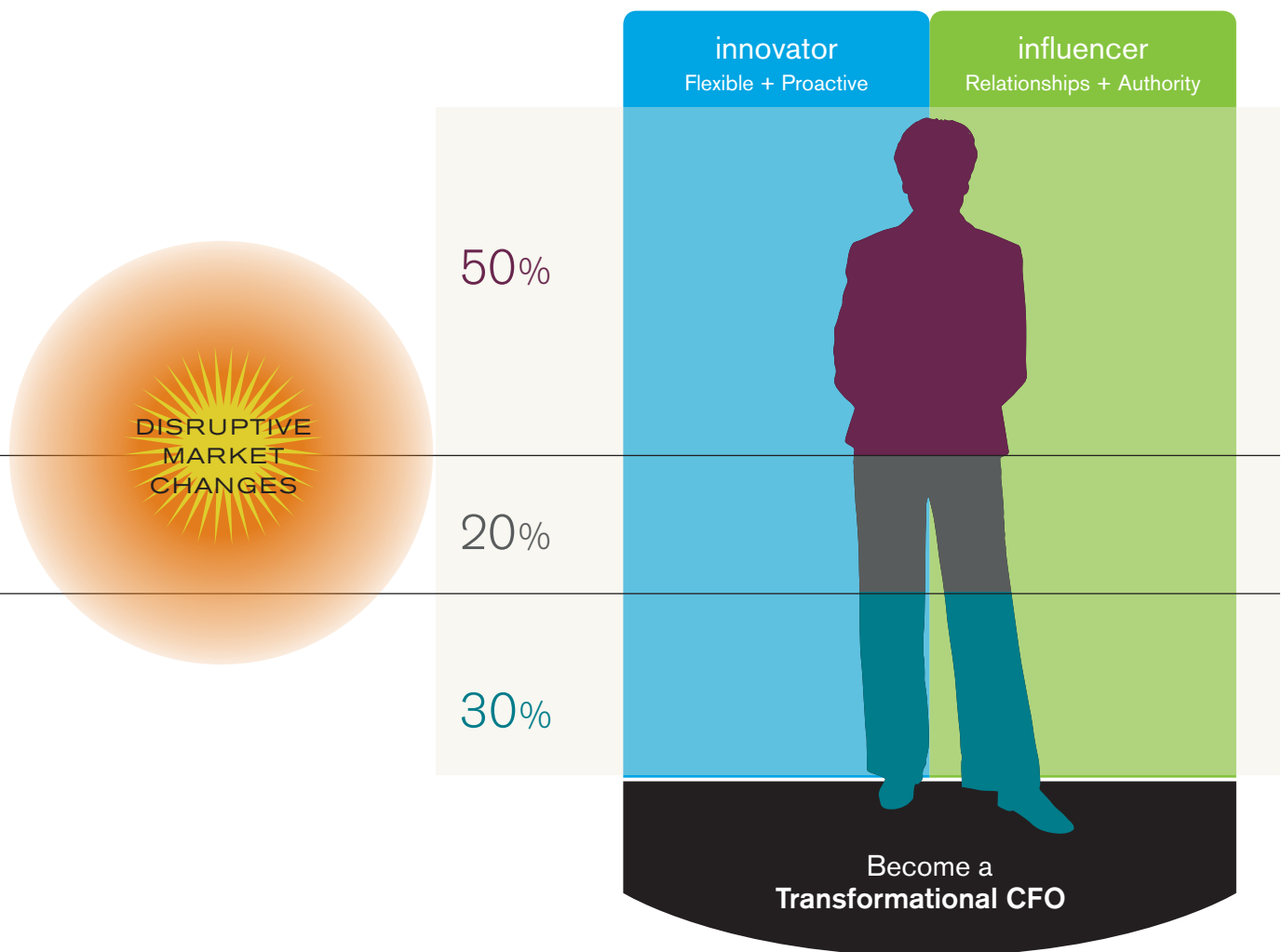
Armanino's annual CFO Evolution Benchmark Survey results have a ten-year track record of proving that the time allocation for CFOs on these elements of their role has been 25 percent leader, 20 percent protector and 55 percent accountant. But CFOs desire to split their time differently and spend 50 percent as a leader in the organization, and 20 percent and 30 percent as the protector and accountant, respectively. CFOs who apply solutions across the people, process and technology

spectrums of their organizations achieve a greater ability to focus on strategic leadership.

With CFO Evolution 2.0, today's CFO must apply influence and innovation to their accountant, protector and leadership roles to truly transform the organization and realize the business benefits that result from successful change management initiatives.

THE CFO EVOLUTION[®] FRAMEWORK







BECOME AN INNOVATOR

The CFO who challenges the status quo and constantly seeks learning opportunities is an innovator. Our 2018 survey results enumerate the top three skills an innovative CFO needs to exhibit, including the ability to influence culture change with an innovative mindset, to understand and identify groundbreaking technology, and finally, to build a strong network of business partners.

Influence culture change with an innovative mindset:

Culture change is often regarded as an HR responsibility where finance leaders rarely tread. CFOs can take ownership and benefit more quickly from their efforts by recruiting new hires from outside the organization and outside the industry. This instantly creates a fresh talent pool that brings new ideas to the table. Concurrently, create a culture where risk-taking is encouraged. Follow Mark Zuckerberg's advice: "Move fast and break things. Unless you are breaking stuff, you are not moving fast enough."

Understand and identify groundbreaking technology:

Of the best-in-class CFOs in this year's survey, fully 100 percent are investing in technology to achieve their transformation initiatives. Armanino believes technology serves as a catalyst to drive the culture change described above. Specifically, all best-in-class CFOs have budgeted, implemented or evaluated analytics initiatives as key parts of their transformation efforts, and 57 percent believe a technology roadmap is important to setting the stage for success.

CFOs can further push the innovation meter in their favor by investing in resources, like digital and physical infrastructures, which enable creative thinking to flourish, according to CFO.com.⁽⁴⁾

Frequently, it is the CEO who reaches out for help and seeks an unbiased evaluation of their organization's current state from Armanino. "CEOs can identify that something is holding their organization back, something is keeping their team from making the tough choices that will lead to future success," says Ryan Prindiville, Armanino's Strategy and Transformation practice leader. "They just can't put their finger on the barriers. We provide an unbiased evaluation of the organization. This empowers the CEO and CFO to take ownership and provide executive sponsorship of mission-critical initiatives."

Keeping up is not easy, and one way to understand and identify mission-critical technology investments is to participate in software demonstrations with your CIO. It is important to recognize that a technology purchase is not a panacea, and the return on investment should be measured in both hard and soft benefits. CFOs who articulate the business drivers and process problems they are seeking to solve are far more successful in obtaining support for their technology investments.

⁽⁴⁾ *Innovation and Entrepreneurship, CFO.com, September 9, 2018*



TOP THREE SKILLSETS FOR INNOVATORS: MINDSET, NETWORK & TECHNOLOGY

“You can no longer evaluate technology investments through only a traditional lens,” states Jim Kavanaugh, CEO of World Wide Technology. “When the goal is market disruption or to create a new business model or level of engagement, understand that the return is more complex and may materialize over time.”⁽⁵⁾

Build a strong network of business partners:

Three-quarters of the group find business partners essential to the success of their transformation initiatives. Today’s world of opportunity creates a demand for strategic relationship networks that is guiding our direction at Armanino. Our clients want access to all the experts in our growing organization, and we work collaboratively to be a better resource and thought partner to help them.

“We’re reaching out to people like Armanino for their expertise, so we can get done what we need to get done and then get back to the strategy part of our business,” says Todd Sandvik, Senior VP of Strategy & Operations at MetaMetrics. “It’s not just crunch the numbers and hand me a spreadsheet anymore. It’s ‘What do these things mean to our business?’”

The innovative CFO invents new business models to gain a market advantage over competitors, creates staffing plans that are nimble and responsive to a VUCA world, and seeks to understand and apply technology tools to empower the organization.

INNOVATION CASE STUDY

Clyde Hosein, CFO, Automation Anywhere



Challenge:

When hired by Automation Anywhere, CFO Clyde Hosein's strategic transformation initiative was to prepare the hypergrowth, privately held technology company for a fast path to IPO.



Solution:

The speed with which Automation Anywhere had scaled its business made it obvious that they didn't have the right people, processes and technology in place to prep for an IPO. Hosein led a successful campaign to leverage artificial intelligence and bots to move his finance and accounting organization forward. He overhauled the company's entire finance infrastructure to build a streamlined and effective reporting and accountability system with a focus on mission-critical work and analytics that drive innovation and growth.

Results:

In seven short months, Hosein led Automation Anywhere to one of the most successful Series A funding rounds of 2018. In July, they raised \$250M in a Series A offering, transforming them into a unicorn with a valuation of \$1.8B.





BECOME AN INFLUENCER

The CFO who builds consensus, works with others to initiate action and implements transformative ideas is an influencer. The reality is this: Great innovative ideas that are not executed on are simply wasted opportunities, so the influential CFO needs to help lead the charge. Our 2018 survey results enumerate the top three skills an innovative CFO needs to exhibit, including the ability to effectively communicate person-to-person, the ability to network within and outside your company for collaborative efforts, and the ability to build business cases for innovative investments.

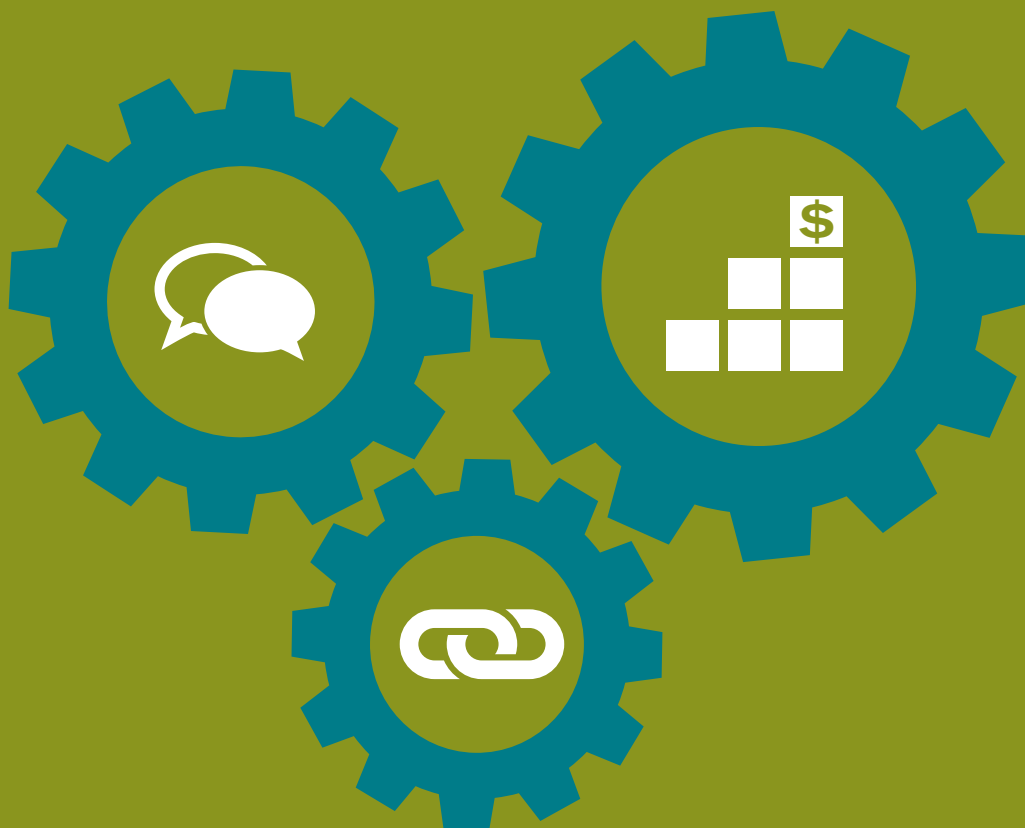
Improve person-to-person communication skills:

CFOs cannot win the hearts and minds of their board, executive team and staff without effective communication. That means spending more time listening than talking, seeking insights across the organization's departments, geographies and client constituencies. Keeping an open door to additional input, the CFO is now armed to sell her vision and execute upon it.

"The wisdom and experience of finance leaders makes them indispensable in the boardroom as companies look to tackle one of the most

uncertain economic periods in decades," explains Samuel Dergel, principal at Dergel Executive Search. "As part of this, CFOs also need to be able to sell their ideas. It is one thing to develop a robust and well-thought-out plan to help the business tackle its challenges, but unless CFOs can articulate their ideas to non-finance experts, these plans may never get off the ground."⁽⁶⁾

Network within and outside your company to collaborate: CFOs can increase their span of influence by expanding their circle of advisors. Outside the walls of their companies, finance



TOP THREE SKILLSETS FOR INFLUENCERS:

COMMUNICATE, COLLABORATE & BUSINESS CASE

leaders who attend industry and technology user conferences can network with peers and learn what systems and process improvements are working for them. Often overlooked, interviews with job candidates are another excellent tool for the savvy CFO to gather innovative insights.

Within the organization, influential CFOs break down departmental silos. “It’s critical for transformational CFOs to listen to operations and sales and business units to solve the issues as a collaborative group,” says Perry Kaufman, partner at Armanino. “If a CFO can understand and articulate the business challenges, he is able to influence the strategy moving forward.”

Build business cases for transformation

investments: Throw the traditional ROI metrics out the window. “Everyone in the organization is approached by cool technology vendors,” says Chris Siegfried, Armanino CFO. “But not everything is going to be successful. Because the pace of change is accelerating, today’s CFO takes risks and accepts strikeouts when they come.”

The CFO’s role is to help business leaders articulate the drivers and business problems a technology investment will solve. “He walks the halls to ensure everyone is on board, sharing the business reason first, the cool technology features second,” says Siegfried.

INFLUENCE CASE STUDY

Shari Freedman, CFO, Room to Read



Challenge:

When Shari Freedman joined Room to Read as CFO, the international nonprofit could not calculate the operational costs of a specific library in a specific country operation. She was met with an oversized chart of accounts (56,000 accounts worldwide) and a team using Excel spreadsheets to manage everything.



Solution:

Consulting board members, country directors, finance managers, C-level peers, and of course, her team, Shari led a series of decisions that would deliver an integrated financial system. This strategic vision added overall transparency to Room to Read's operations and freed the finance and accounting department to innovate and direct their analytic skills toward more strategic assessments, like the cost-effectiveness of Room to Read's programs and the return on a donor's investment.

Previous attempts to measure project-specific costs were complicated by an overworked and undervalued finance and accounting staff. Understanding this reality, Shari established clear priorities for the department that were strategically aligned with the organization's annual goals. This helped her team clarify and streamline their day-to-day processes, helping relieve stress and pressure.

In a radical departure from the previous operations of her department, Shari sought to source key roles in markets outside the US. This brought in skilled professionals at a lower cost, but also located them closer to program operations and allowed the department to leverage the collective team's talents with increased dexterity.

Shari effectively steered discussions with the audit committee, the external auditors and the management team to convince them of the value of implementing this new team structure, working as a liaison to garner support. She invested time, energy and resources into finding the best talent, training them, having adequate internal controls in place, and creating the right "bridges" using cloud technologies such as Adaptive Insights and Sage Intacct to connect with her newly dispersed team.

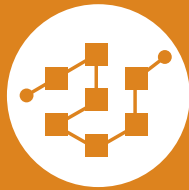


Results:

Shari's influential vision for her team at Room to Read led to organization-wide growth and transformation. The finance and accounting team has evolved from a siloed department to a sought-after strategic advisor across the organization. Today, Room to Read has clear visibility into the operational costs and ROI of each of its 20,000 libraries worldwide. The nonprofit has won several awards for accountability and transparency, including Charity Navigator's exceptional four-star rating.

BELIEVE IT AND YOU CAN ACHIEVE IT

As Bill Gates often tells his audiences, “This is a fascinating time to be alive.”⁽⁷⁾ Our interconnected world has made a huge impact on quality-of-life factors across the globe. Since 1980, the number of people living in extreme poverty worldwide has dropped from 45 percent to 10 percent. And the rate of literacy has leaped from 55 percent to 85 percent in that same time span.⁽⁸⁾ The Fourth Industrial Revolution promises to bring us:



BLOCKCHAIN

global manufacturers tracking individual products to ensure recalls are targeted to small, specific lots



SMART CITIES

cities with more than 50,000 inhabitants and no traffic lights or congestion



NEUROTECHNOLOGIES

humans with fully artificial memory implanted in the brain



IMPLANTABLE TECHNOLOGIES

implantable mobile phones and smart tattoos


⁽⁷⁾ “Bill Gates at Harvard: This is a fascinating time to be alive,” CNBC, May 9, 2018

<https://www.cnbc.com/2018/05/09/bill-gates-at-harvard-this-is-a-fascinating-time-to-be-alive.html>

⁽⁸⁾ Our World in Data, <https://ourworldindata.org/a-history-of-global-living-conditions-in-5-charts>



Change
Just Ahead

A black king chess piece stands prominently in the foreground on a chessboard. The board's squares are a mix of light and dark wood. In the background, other chess pieces like a knight and a rook are visible but out of focus. A semi-transparent green box with a gradient is positioned in the lower-left, containing white text.

“The old adage, ‘If you don’t know where you are going, any road will get you there,’ has never felt so relevant. The pace of change today is remarkable and although that presents new threats, opportunities for differentiating your business and enhancing your personal value proposition abound! It’s time to lean in, make a plan and embrace the opportunity.”

- Matt Armanino

THE NEXT STEP ON YOUR TRANSFORMATION JOURNEY

Now is the time to step up and imagine the transformative future of your organization.

Focusing on the strategic leadership role that CFOs can play at their organizations, look no further than your peers for examples of how to evolve your own career. Transformational CFOs are being tapped as the logical next leader in their organization's succession plans:



Paul Warburg – As a new CFO at Xenon Arc, Warburg appreciated the value in meeting with customers and understanding their needs as it related to his strategic role in the C-suite. He made customer visits a recurring part of his day-to-day activities. Paul was promoted to president in 2016 because of his deep understanding of Xenon Arc's value proposition.



Todd Peterson – Peterson joined Packet Fusion as CFO at a decisive time in the company's history. A successful ShoreTel reseller, the company recognized that changing customer demands and market forces were depleting profit margins. Peterson assisted Packet Fusion CEO Matt Pingatore in pivoting to an entirely new business model as a voice-over-internet and call center managed services provider. Peterson now serves as president of the rapidly growing organization.



Christa Quarles – Leveraging her financial analyst background covering the internet sector at Thomas Weisel Partners, Quarles became CFO of Playdom and managed its acquisition by The Walt Disney Company. She took advantage of the opportunity to hold positions of increasing responsibility with the Walt Disney Company over a four-year period. Quarles joined OpenTable in 2015 and was promoted to CEO in just six months. Her guiding mantra: "I always felt like a bet on myself was a good risk to take."⁽⁹⁾

As your business partner, Armanino provides the CFO Evolution 2.0 framework and approach to enable finance leaders to transform their companies. We are here to help you meet the challenges and take advantage of the opportunities of today and the future. Armanino has an ecosystem of experts

in future-proofing your business with people, processes and technology to assist with your optimal future state. This will allow your organization to scale for growth and embrace the opportunities afforded by the VUCA world in which we live and work.

ABOUT US

Armanino provides an integrated set of accounting and consulting services to a wide range of organizations—privately held companies, non-profit organizations and public entities—operating in the U.S. and globally. We provide four main areas of service: assurance/audit, tax, consulting and business management. Our technology focus and global services are key aspects of our service lines. We work with clients in a large range of industries, including technology, manufacturing,

and distribution, consumer-retail, nonprofit, private schools, real estate, professional services, life sciences, insurance and healthcare.

Since 2008, our CFO Evolution has offered a set of initiatives focused on the people, processes and technology needed to streamline the accounting function, optimize the protector role, and elevate business leadership with influence and innovation as two critical skillsets, thereby enhancing the value of the CFO organization.



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