

Analysis on the Way to Become the Strategic Driver of Enterprise through Digital CFO

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Abstract: The global market environment is volatile and new challenges are constantly emerging. Not only is the company's operating business being challenged by this, but the finance function is also facing a fundamental realignment, and the role of the chief financial officer (CFO) has changed with it. Transactional and repetitive processes in financial accounting are being digitized and automated. The organization became more agile, adapting its processes to quickly adapt to changing circumstances. Longer-term considerations are increasingly important in order to meet the information needs of various stakeholders, from customers to investors to employees. Large amounts of data create new insights for companies. They enable more accurate predictions and scenario simulations for data-driven, fact-based decisions.

1. Introduction

The CFO's previous focus was on providing appropriate, transparent, and reliable financial management. This role will be significantly expanded. The CFO will be a strategic partner for management, and he has a growing responsibility for the growth in value and financial performance. As the "co-pilot of the business", he not only tests the company's financial functions. In the digital economy environment, the CFO's work is also facing a transformation^[1].

2. Financial functions

2.1 Financial function becomes the central data node connecting the entire company

The annual financial statements are part of the core business of bookkeeping. It is an important control and planning tool for assessing business success. Annual financial statements help ensure liquidity and inform business and investment planning. Traditionally, finance has been a fact-based function in the company. Accounting, financial management, budget or compliance issues are mainly labor-intensive tasks^[2].

Under the influence of the digital age, the enterprise digitization has already been an inevitable transformation problem in the new century. In recent years, traditional accounting activities have become increasingly digital and automated, bringing major breakthroughs in the direction of resource and strategic issues^[3]. The CFO can also take on more functions and responsibilities, and can do something to optimize its performance. In addition, digitization creates a closer connection between

the various fields of the company and solves the problem of "knowledge islands" in each department^[4]. The role of the financial department is to provide the necessary data and information management, connect all departments, and analyze the relevant quality information. This allows the CFO to accurately understand the company's business at the click of a button, and the data can be used to simulate EBITDA, working capital and cash flow^[5]. These data can be used for forecasting and budget planning and impact and scenario analysis, on which informed operational decisions can be made^[6].

Michael Kamstig once said: "When the finance department and companies work together, the digital corporate finance works best. "The important prerequisite is how to have a " close business cooperation " with different parts of the company. While there are already high levels of cooperation in the areas of traditional financial functions such as compliance, reporting or risk management, business partnerships provide new services to the business area beyond the functional areas. ^[7]The advantage of finance is that it can use monetized data fused with the CFO to analyze overall relationships and coordinate them with modern analysis. Examples range from strategy to sales to marketing and operations^[8]. Value flows are optimized, and individual functional areas are enhanced. In addition to optimized functional units, a new phase of value added is opened through the active management of value flows^[9]. The finance department and the CFO became the strategic force to create added value throughout the group^[10].

2.2 Real-time performance of financial information

The focus of the financial function is now shifting from monthly and quarterly reports to real-time analysis, from assessing historical data to forecasting future developments, and from control to comprehensive security concepts. For the financial team, this means a complete repositioning^[11]. While compliance, functional organization, and focus on processes have always been the foremost, agility, solution orientation, and predictive accuracy are now becoming a focus^[12]. The reason is that modern society is accelerating into the information age, and information is becoming more important in a society that is changing faster than ever before^[13]. If a modern enterprise can have real-time financial data, it can understand the operating status and financial status of the enterprise in real time, and find the potential crisis and opportunities of the enterprise in real time, which has great advantages for the enterprise in making decisions^[14].

The need for real-time information, especially the speed factor, is gradually becoming increasingly important^[15]. Traditionally, the role of the finance sector is to provide reliable information to all stakeholders^[16]. However, if it was previously sufficient to explain financial results on critical dates, make company performance bias transparent, and give limited prospects for future business developments, stakeholders expect this information plus a range of other data (ESG, intangible value statements, etc.) to now be in real time^[17].

Digital tools support new requirements through fully automated processes in which data can be collected and processed without any major human intervention^[18]. The challenge for companies is that much of the data required to date must be collected at a significant cost, accepted and evaluated manually, and processed in different ways. However, extensive automation of data collection and evaluation is becoming increasingly possible thanks to new technology solutions such as the Internet of Things (IoT), digital twinning, smart contracts and sensors. The processing and evaluation of the data can be objectified and standardized through the use of artificial intelligence and algorithms^[18]. RESULTS Fully automated processes lead to real-time processing, standardization, and comparable data^[19].

To facilitate the work of the finance team, the following four points are crucial.

2.2.1 Business innovation

New business models are emerging faster and faster, but profitability, tax and regulatory requirements, and financing issues remain critical. Financial functions must help shape the journey from creativity to products, profits and growth^[20].

2.2.2 Portfolio management of the company

Integration or split projects for a single asset or an entire business unit require a comprehensive view of portfolio performance, relevance to customer value, and the integration and split of business units.

2.2.3 No-contact process

The introduction of an end-to-end process requires the elimination of functional islands. This shift may take several years, but agile cross-functional process teams reduce the need for discussion between departments and focus on the most efficient, process-oriented solutions.

2.2.4 Value flow

Control models such as EVA, SHV, and ROCE have transformed the performance of individual functions into a cross-functional value flow^[21]. Creating a clear control logic is particularly important in the era of data analysis because it builds the focus of analysis and lays the foundation for a common, data-based language with a unified control logic in the company. But in practice, highly decentralized management models are often found, usually limited to financial indicators and a few business indicators^[22]. Agile teams from financial and business functions identify, analyze, and optimize value flows. Therefore, technology will enable finance departments to convert data into new departments^[23].

While the need for financial functions has thus far has been largely independent of the economic sector, industry and companies play an increasing role in providing value to the company's strategic and operational sectors through value flows and data analytics. Therefore, when designing new financial functions, it is necessary to understand the challenges of industry and corporate strategy and translate them into the operations and process organization of the financial department^[24]. Financial functions with general services but not further aligned with the company's value flow and requirements are a good indicator that financial functions still have great potential for transformation^[25].

2.3 A broader definition of financial roles

The finance sector plays an important role in designing control and data models and in building analytics platforms^[26]. In addition, it supports the day-to-day business through complex analysis and simulations to make the best operational decisions based on the data. This role is more profound than was defined in the past and requires a comprehensive understanding of operational business processes, data structures, artificial intelligence, and analytics^[27].

Sustainable global operations: Data analysis helps to make transparent internal decisions about sustainability impacts^[28]. But customers also have more and more information that affects brand recognition and buying decisions. Sustainable management is becoming increasingly important^[29]. Companies must ensure that the information they are positioned in the market is supported by data and that there is no conflicting information in their global data footprint (such as the so-called "green drift")^[30].

2.4 Enterprise conversion into a platform

In recent years, platform structure has become increasingly important as a business model. Central idea: Business models, services and products can expand rapidly around the world, with marginal costs not increasing significantly. This approach enables effortless diversification when compared to capital-and resource-intensive business models.

The enterprise platform approach outlined here goes far beyond the pure digital market. The former connects to two groups of—through a digital interface such as customers and manufacturers. Even with less capital investment, the solution can be expanded globally.

On the other hand, the enterprise transformation platform enables companies to respond to changing market conditions through innovation, new business models, and cultural changes brought about by global expansion and change. Apple or Facebook is an example of this. Apple Successfully placed new products on existing platforms in a short period of time, and systematically expanded them through additional services such as TV and health services. Facebook Has successfully transformed itself from a private social network to a marketing and analytics group.

Operating as a platform makes it effortlessly to test and expand new markets, products and services at all stages. Clear structure is important in each case, such as the establishment of national organizations and the clarity of when to centralize or decentralize decisions or systems that support future growth. Without these norms, there are costs, coordination, and a lack of transparency. These structures also play a decisive role in the way financial functions are set—"Financial follow business" applies. The advantages of the enterprise transformation platform bring: cost reduction and efficiency increase, improve production efficiency, reduce labor cost, accelerate product iteration, improve the automation degree of manufacturing, etc^[31].

3. Conclusion and discussion

Data is the anchor point for keeping everything in place, and data is even essential to keeping financial institutions alert for recruitment and skill upgrading—In recruiting and retaining talent with data skills, competition includes not only finance but also the whole business sector; when finance regards data as the first priority. The future has come, and how to transition to CVO through digital CFO is also worth thinking about and exploring^[32].

At the Gordon 2022 Future Finance and Talent Development Summit Forum in Hangzhou, the theme was "The Future", which has the "trinity" function of operational finance, business finance and expert finance. In the future, financial role transformation is inevitable, under the influence of digital economy, through the application of more financial acceleration tools and the cloud of ERP system, enterprises can realize the ability of timely reporting and real-time analysis, give the financial department more roles, and the CFO will assume more responsibilities.

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