

# Preparing Finance for a Changing World:

Essential Strategies for Financial Institution CFOs



The pace of technological change is inextricably linked to consumer expectations and these trends are reinforcing and accelerating the speed of change to which financial institutions must adapt. Together with heightened financial and security risks and a dynamic macroeconomic environment, the demands on CFOs in financial services are unprecedented.

During this time of technological and digital transformation, CEOs are turning to the CFO to serve as a trusted advisor, not just for finance-related issues, but in all areas of business. A [2015 study from KPMG, The view from the top](#), showed that 63 percent of CEOs believe the CFO role will grow in significance compared to other C-suite roles. And, while a foundation in finance is still important, CFOs of the future will also need broader business knowledge and operational experience to take on a more strategic role.

## The Future CFO: Strategic and Insightful

Once considered a numbers-only role, CFOs at today's financial institutions have new demands on their time. CFOs are expected to help set overall strategy and develop new sources of value for their financial institution. With heightened competition, new technologies and increased regulation, CFOs are now balancing traditional responsibilities with a growing need for analysis and insights that inform strategy and drive growth.

Along with being an expert in digital, smart technologies and sophisticated data analytics, future CFOs will need to be an authority in risk and risk management; have sophisticated leadership and communication skills; and be able to put together a strong team and develop talent. In conjunction with a finance background, these skills will be an advantage when it comes to driving strategy and growth decisions.



Yet CFOs must still address the day-to-day responsibilities of their position – even while facing the challenges of a changing role. Unfortunately, about half of CFOs report they cannot focus on strategic priorities because of increasing operational responsibilities, according to a 2016 [EY study, The DNA of the CFO](#).

For example, the regulatory environment remains critical and dynamic for financial institution CFOs. From shaping policies to changing business models to upgrading processes and systems, regulatory issues consume much of CFOs' attention. So much that more than one-third of CEOs in the KPMG study believe the regulatory environment is impeding CFOs' ability to focus on other areas.

CFOs are also being held back by inflexible IT systems that can't adapt to business change. Many financial institutions spend much of their IT budgets maintaining existing systems, leaving little room for new technology that can help grow

or transform the business. In addition, due to the siloed nature of operations and system limits, institutions struggle to convert the terabytes of financial, market and customer data they have into the insight CFOs are now being asked to deliver. According to a 2017 survey by [CFO Research](#), there is a significant need to improve the current state, as the majority of CFOs who responded to the survey – a combined 63 percent – described their finance function's technology as "inefficient," "silo-constrained," or "not linked to decision-making."

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**By digitally transforming the finance function, CFOs would gain greater efficiency, accuracy and insight. Digital transformation isn't just for the front office! It offers a big picture of the organization for better strategic decision making.**

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## Preparing for the Future: Three Strategies for CFOs

There is growing pressure on the CFO to make the finance function fit for the changing world. Yet how can CFOs deal with the challenges of transforming themselves and addressing current operational challenges while still getting ready to lead the financial institution of the future?

### **1. Empower Teams With the Right Tools**

Technology will play an important role in enabling CFOs to move beyond analyzing historical financial data to accessing real-time insights that drive strategy and growth. They can prepare for the future now by implementing technology that 1) eases friction in areas that are inefficient due to manual processes or reliance on outdated systems and 2) provides teams with clear information and accessible data for better visibility and actionable insights.

For example, the budgeting process for many financial institutions involves thousands of spreadsheets and incomplete data pieced together from disparate departments and branches. This inefficient and error-prone approach makes it impossible to make well-informed decisions about revenue and profitability. With a more modern budgeting and forecasting tool, CFOs can automate repetitive tasks, integrate seamlessly with a central data repository and offer accurate insights into what the future holds.

## 2. Add New Skills and Talent to Finance Teams

CFOs focused on the future will bring the power of analytics and thought leadership to their financial institutions. This affects what skills and talents employees need to succeed in finance, including less emphasis on Microsoft® Excel® as the most important skill, according to the 2017 CFO Indicator report, [Full Steam Ahead: Finance On Board With Automation](#). While an aptitude for finance remains essential, CFOs will increasingly seek employees with specific digital skills such as data scientists and engineers, business analysts and ERP professionals.

As the role of finance evolves into strategic contributors to the organization, future-focused CFOs will need to give finance associates a comprehensive view of the business across functions and geographies. CFOs must also consider what behaviors are desired and how performance is rewarded. Traditional measures, such as meeting planned, annual budgets, result in a natural incentive to set low and easily achievable goals. Instead of short-term gains, executives should look to incentivize long-term value creation based on strategic goals that can be adapted depending on external and internal changes.

**97 percent** of CEOs say that talent management is the most or equally important factor in improving the finance function.

(Source: KPMG, The view from the top)



### 3. Gain Visibility Into the Future

One of the most valuable contributions a CFO can bring to an organization is the ability to deliver financial planning and data analysis that drives profitable growth and helps everyone make better decisions. Yet CFOs are hard pressed to achieve this objective due to rigid, point-in-time planning and forecasting tools that lead to inaccuracies, increased risk and missed opportunities.

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**Even better than one planning tool is an entire platform that brings all finance data together and provides even greater insights. Imagine having the data from these key functional areas – financial accounting, budgeting, strategic planning, profitability and risk management – in one platform. Then add information from third parties to round out the view. To translate this data into actionable insights, comprehensive visualization and reporting capabilities make it easy for CFOs, finance teams and other stakeholders to digest and dissect the information.**

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CFOs can adopt dynamic “what if” modeling that allows for the layering of financial impacts such as launching new product lines, acquiring companies or expanding markets. Rather than provide a static and narrow view of what’s to come, CFOs can confidently predict how changes will affect plans and adjust strategies as needed.

By implementing sophisticated practices that leverage real-time data, CFOs can better inform strategic decisions that lead to improved profitability. Additionally, with a more agile and responsive approach to planning and analysis, the CFO and finance teams quickly move from a back-office function to the strategic advisory role sought by the CEO and other executives.

For CFOs to lead the financial institution of the future, they need to prepare today for the opportunities and challenges ahead. By transitioning from the status quo to innovative practices that provide a more streamlined and accurate view of the future, they can be ready for what’s next. This transition includes implementing technology that empowers teams to provide insight with more efficiency and accuracy. It means attracting and retaining top-notch talent with nontraditional skill sets. Most importantly, because the organization will look to the CFO not only for facts but also trends, they must be able to gain visibility into the future using analytics that allow them to prepare for potential changes and respond quickly in order to improve profitability and growth.

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