DRIVING STRATEGY: WHAT HAPPENS WHEN A CFO OR CTO GAINS CAPACITY?

Mike Sabbatis, CEO of XCM
Tom Hood, CEO of MACPA
The roles of the Chief Finance Officer and Chief Tax Officer in corporate America are changing, and radically so. This is not news. Read on to find out why it’s time to take action now.

Thanks to compliance challenges, advances in technology, an increasingly burdensome regulatory environment, and other disruptions, organizations are expecting their CFOs and CTOs to play an increasingly strategic role – to actually help drive strategy in the organization, rather than just leading their department and crunching numbers.

It’s a fairly recent phenomenon, but it’s happening quickly, and wrapping their arms around that change is just the latest challenge that tax and finance chiefs are facing.

“CFOs have an unprecedented opportunity to move from navigator and become a co-pilot to their CEOs”

Ash Noah, Managing Director of Learning, Education and Development, CGMA

“CFOs have an unprecedented opportunity to move from navigator and become a co-pilot to their CEOs,” says Ash Noah, managing director of learning, education and development with CGMA, the global association that the American Institute of CPAs formed in partnership with the Chartered Institute of Management Accountants. “Technology is enabling that change, but what is causing it is the recent imperative for businesses to fundamentally transform their business models to serve their customers in new ways and improve their customers’ experiences.”

Adding that value, though, starts with a future-focused paradox of sorts: To take on the more strategic role that our changing and complex world demands, CFOs and CTOs must first learn to master the changes and complexity. They must first harness the new technology that will allow them to move from the navigator’s seat to the co-pilot’s chair.

Doing so is both the challenge and the opportunity for today’s future-looking CFO or CTO who is ready to better engage employees, interested in streamlining operations, and also looking for ways to gain back time to focus on newer, more exponential technologies.

TAKING ON A MORE STRATEGIC ROLE

KPMG recently released a report titled “Reshaping Finance: Building the Service Delivery Model of the Future,” and David McCann from CFO.com wrote a terrific summary.

According to KPMG, companies will increasingly use ‘centers of excellence’ outfitted with data scientists, finance experts, and intelligent automation. “These centers will analyze vast amounts of internal and external data to help the business answer such key questions as how to deploy capital, where to expand,
and what product lines to grow,” McCann wrote. “The financial analyst, sitting in a virtual center of excellence, will be supported by machine learning to crunch through a variety of data sources to create faster, more accurate reports.”

IN MANY WAYS, IT’S ALREADY HAPPENING.

Let’s look at U.S. state and local tax issues that have arisen from the Supreme Court’s 2018 Wayfair decision concerning sales tax on Internet purchases. In a recent podcast interview with the Business Learning Institute, SAP Concur executives Marchelle Klippenstein and Jameson Hughes said Wayfair has introduced four key factors in the way companies address their sales tax issues:

**Complexity:** Wayfair has introduced significant complexity and created a material amount of non-compliance risk for companies. In just one staggering example, SAP Concur says Wayfair has forced firms to think about the complexity created by 150 million mailing addresses, in more than 12,000 tax jurisdictions, with more than 35,000 sales / use / rental tax rates, applying to more than 30 million product and / or service exemptions.

**Ambiguity:** transaction amounts vary from state to state.

**Challenges:** In New York, according to SAP Concur, a seller wouldn’t have to remit pay if annual purchases amount to $299,999.99, but when those sales reach $300,000, sales tax payments must be remitted on the full amount. “Therefore,” says SAP Concur, “sellers should be collecting sales tax if they forecast sales in excess of the limit in each state, but if they fail to reach that amount, they may have to refund those collected taxes to their customers. Again, this varies state to state.”

**Shifting regulations:** In just one example, California has changed its regulations six times since the Wayfair decision went into effect. According to SAP Concur, that impacts thresholds, collection start dates, and third-party sellers. Furthermore, more than 30 states (and counting) have decided it would be most efficient for large marketplace facilitators or providers to collect sales and use tax on behalf of their third-party sellers. “Such laws are changing the rules of the game for many marketplace sellers as well as the marketplaces they sell through,” SAP Concur reports.
INTEGRATED REPORTING IS ANOTHER EXAMPLE

In a recent report titled “The Emergence of Integrated Reporting,” The Conference Board says there are five key themes that have emerged with the advent of integrated reporting:

“How value is calculated is changing, and it would be helpful for reporting norms to change accordingly.”

“Intangible items now dominate a company’s asset value.”

“As business models become more people and tech centered, human capital will become increasingly valuable.”

“Integrated reporting provides a framework of six ‘capitals’ (financial, manufactured, intellectual, human, social and relationship, and natural) that allows for a more complete understanding of factors that affect value creation.”

“Integrated reporting is a tool for internal decision making (often referred to as integrated thinking) as well as externally communicating the effects of those decisions.”

“Society gives businesses the authority and the ability to operate, which are protected under laws,” wrote American Institute of CPAs President and CEO Barry Melancon in a recent article for Accounting Today. “Now the focus is upon shifting to wider societal obligations: How do we deal with the current issues of jobs and employment, long-term profitability, sustainability and the implementation of technology? These real issues are the ones that past business leaders have not had to deal with. However, they represent an opportunity for the accounting profession to play a role in engaging with clients, businesses and colleagues, to help society evolve so it becomes resilient for the long term.”

“Now the focus is upon shifting to wider societal obligations: How do we deal with the current issues of jobs and employment, long-term profitability, sustainability and the implementation of technology?”

Barry Melancon, President and CEO, American Institute of CPAs
THE CAPACITY CHALLENGE

Businesses need to keep pace with rapidly changing expectations and opportunities. Yesterday’s best practices are becoming obsolete, and CFOs and CTOs are at the center of all of it.

All of this complexity points to the need for more capacity. The more complex our world becomes, the more we need to automate the manual tasks of traditional data management and refocus our time interpreting that data to find meaningful insights to accelerate decision-making to increase business performance.

When individual staff know what to do, how to do it, and when it’s expected—they naturally perform at a higher level. Mid-level management can deploy resources more effectively and invest their time in higher value activity. Senior leadership can be more strategic vs. tactical. All this leads to greater accountability in your business and better performance.

Process and service automation create the capacity that enables CFOs and CTOs to take on that more strategic role — to move from the navigator’s seat to the co-pilot’s chair.

Sage Intacct agrees. At their 2019 CFO Summit, Sage Intacct executives cited “virtualization and automation of processes and services” as the second-most impactful technology on accounting firms today.

And with good reason. Process and service automation create the capacity that enables CFOs and CTOs to take on that more strategic role — to move from the navigator’s seat to the co-pilot’s chair.

So it’s clear that something needs to change. Many future-ready CFO and CTOs have elected to start with productivity enablement and workflow technology like XCM®.  

Flexibility is a requirement in today’s dynamic business, and XCM® enables CFOs and CTOs to adapt to new process requirements, manage changing resources, and optimize efficiency. XCM brings all processes on one platform so you can gain control of the priorities, meet deadlines, and be responsive to the business.

Process virtualization—as in, robotics—can be an inspiring future state to consider for your department or even across a business. But to get there, a first step is to look at today’s business processes. How effective are they? Are there steps that can be eliminated to streamline the process? Where are the bottlenecks or roadblocks?

For a CTO or CFO, even identifying the full scope of processes in use across the department can be daunting with everything else that’s going on—never mind detailing each step of each process, then identifying opportunities to streamline those business processes to create capacity.

As a contrast, XCM sends a consultant to each new client to document and optimize their business processes before those business processes are entered into the program. The result is a customized workflow experience that upholds the optimized business processes and delivers real-time visibility to projects across the department.
AI and machine learning for data analytics is another inspiring future state to consider for your department or as a recommendation for your business. The capacity of AI is doubling every three months right now. But again, to get there, a first step is to look at the data you have. How many different systems do you have to access to get a complete picture? Is there an opportunity cost to the time spent on data aggregation instead of predictive data analysis?

XCM is helping future-looking CFOs and CTOs get started with XCManalytics as a Service®. This program brings XCM data points into a highly visual, fully interactive dashboard, allowing you to gain a multi-dimensional view of your business process metrics. These dashboards have a standard offering, including a historical and future-forward view of the business that CFOs and CTOs can use to proactively identify and overcome business obstacles—or a custom option.

It’s another way to create capacity with technology and buy back time that you can use to investigate and make recommendations on which exponential technologies may be right for your business in the future.

**HOW THE FUTURE ACTUALLY LOOKS**

No one has a crystal ball or a time machine to see what the future looks like—if they do, they’ve been keeping it very quiet.

Meanwhile, after a future-looking CFO or CTO has taken those first steps to create capacity—here’s how his or her day is changing:

- **Less Email:** when a future-looking CFO or CTO can look in one centralized location to see project status and key business performance metrics—there’s no need to ask for reports or updates via email.

- **More Analysis:** once the data is available instantly, in easy-to-use dashboards, a future-looking CFO or CTO can focus on data analysis—instead of data aggregation.

- **Fewer Meetings:** instead of a day full of meetings, the future-looking CFO or CTO who has invested in productivity enablement technology can see project status at-a-glance and in real time.

- **Better Capacity:** when the repetitive and manual work is streamlined, a future-looking CFO or CTO has bandwidth to actually read technology news.

You’ve already taken a first step by reading this far.

If you’re interested in learning more about XCMworkflow and XCManalytics as a Service, or would like to request a complimentary consultation, call **781.356.5152** or visit **xcmsolutions.com** today.