

# DO CFOs PLAY A LEADING ROLE IN DIGITALLY TRANSFORMING THEIR SMEs?

And if so, what does a successful  
digital CFO look like?

## ACKNOWLEDGEMENTS

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# INTRODUCTION

Over the last few years, the business environment has changed rapidly due to the introduction of new technological breakthroughs such as Artificial Intelligence (AI), robotics, Internet of Things ... or, in short: digitalisation. Today, every organisation should embark on its digital transformation journey and embrace the numerous opportunities that new technologies offer. The outbreak of the COVID-19 pandemic emphasised this even more strongly: organisations were forced to deal with this disruption quickly in order to maintain their position in increasingly competitive markets.

However, a common problem in many organisations today is that there is no one to stand up and take the lead in this digital transformation process. In this white paper, we put the CFO forward as the one in the ideal position to take up a leading role in this digitalisation journey. More specifically, we answer 3 main questions throughout this white paper. First, we ascertain whether CFOs nowadays are actually involved in their organisation's digital transformation.

Secondly, we examine the impact of the CFO's involvement on the firm's digital maturity score. Finally, we investigate what successful digital CFOs look like and how they distinguish themselves from other CFOs.

Today's research and consultancy reports about the digital transformation usually focus on large, multinational firms. And although the same applies to small- and medium-sized firms, much less is known about the current situation within the SME landscape. These firms might be confronted with some additional challenges – such as, for example, a limited budget and/or limited knowledge at their disposal. In Belgium, SMEs form the backbone of the economy, and they account for more than half of the country's added value or wealth. Bearing this in mind, we have focused our research on the Belgian SME landscape and we examine the CFO's involvement in this particular setting. We report on survey responses from a total of 121 CFOs and finance leaders with various levels of experience who are active in a wide variety of sectors.

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# DOES THE CFO GET INVOLVED IN THE DIGITAL TRANSFORMATION?

Although different C-level executives can be assigned the lead in a firm's digital transformation, we argue that the CFO is best positioned to guide and drive this transformation process. The first and foremost reason for this is the importance of data. Gathering and analysing data are at the core of new technologies and advanced analytics. Today, there are tremendous amounts of data available within companies. This data not only consists of financial data but non-financial data as well - think of operational and customer data, for example.

With all this data at their disposal, the real challenge is to convert it into useful insights. As CFOs are typically the gatekeepers of data, and since they have the most accurate view on the critical data flows, they should act as a catalyst, encouraging the use of all this data throughout the organisation. This makes it possible for firms to get the full potential out of the data. Moreover, the opportunity to combine data from different business units and departments boosts the CFO's strategic position within the organisation.

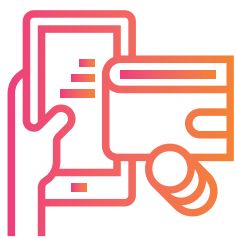


As they are responsible for financial planning and capital allocation, CFOs are also naturally involved in the firm's digital transformation process from an investment point of view. They inevitably have to decide on various digital initiatives coming from different departments within the firm. And in doing so, the allocated resources should match the firm's digital strategy. Although a clear objective should be pursued, companies still too often implement digital alternatives without having a specific purpose in mind. Therefore, it's essential that the CFO understands the different opportunities in the digital environment. This enables the CFO to allocate the right amount of money, time and people to the various projects.

Lastly, from the CFO's point of view, it is in his or her own interest to take the lead in the digital transformation. The automation of various transactional tasks frees up time that CFOs can spend to perform more strategic tasks. The more advanced technologies can help the CFO create more in-depth strategic insights and, hence, value for the firm. For

this reason, CFOs should reinforce their role in the top management team by taking the lead in the digital transformation.

The results of our survey, in which we ask the CFOs about their level of involvement in the firm's digital transformation, confirm these arguments. In particular, no less than 91.8% of the CFOs indicate to take on the responsibility of the finance office's digitalisation by being involved in the implementation of new technologies. More noteworthy, however, is that a majority of the CFOs are also taking up a significant role in the organisation's digital transformation. More specifically, almost 76% report that they are involved in defining and developing the firm's digital strategy. About 68% even indicate that they play a role in the implementation of new technologies in departments other than finance. Thus, our results clearly confirm that today's CFOs are playing a more proactive role within the organisation. They need to step forward and guide their firm through its digital transformation journey.



# 92%

of the CFOs indicates to be involved in the implementation of new technologies in **the finance department**.



# 76%

of the CFOs indicates to be involved in **the digital strategy-setting** of the organisation.



# 68%

of the CFOs indicates to be involved in the implementation of new technologies in **departments outside finance**.



# DOES THE CFO'S INVOLVEMENT ACCELERATE THE DIGITALISATION PROCESS?

Although the majority of CFOs report that they are highly involved in the digital transformation, this does not indicate whether, and how, this has an impact on the firm's digital maturity. Does the CFO truly accelerate and improve this transformation journey? In order to answer this question, we compare the digital maturity score of firms with an involved CFO with those in which the CFO is not involved.

## DIGITAL MATURITY EXPLAINED

Measuring a firm's digital maturity goes beyond the implementation of new technologies. There are various aspects that contribute to a successful digital transformation journey, as the ultimate goal is to create value for the organisation. Accordingly, 5 dimensions – strategy, organisation, people, data and technology – are considered to determine a company's digital maturity.



### STRATEGY

Every organisation needs to have a clear vision and a solid digital strategy which is aligned with the organisation's overall strategy. Here, it is important to involve all the different stakeholders within the company. Moreover, because of the rapid arrival of new technologies, firms also need to evaluate and review their digital strategy on a regular basis.



### ORGANISATION

The organisational structure should encourage flexibility and cross-functional collaboration. On the one hand, flexibility has to be embedded in the company's structure in order to respond quickly and effectively to disruptions in the business environment. On the other hand, cross-functional collaboration extends the knowledge within the company. By facilitating the swift exchange of information and expertise between different departments, resources are deployed more efficiently across the organisation.



### PEOPLE

In the end, the employees have to implement the technologies and work with the digital solutions. Therefore, the presence of the right mindset and skills is necessary in a digital work environment. Organisations – and more specifically, top management – should create a culture that is in line with the firm's digital ambitions. An essential aspect here is that employees need to feel supported to be creative and to develop their own digital ideas. Besides that, strong analytical and technical competencies are required at all levels.



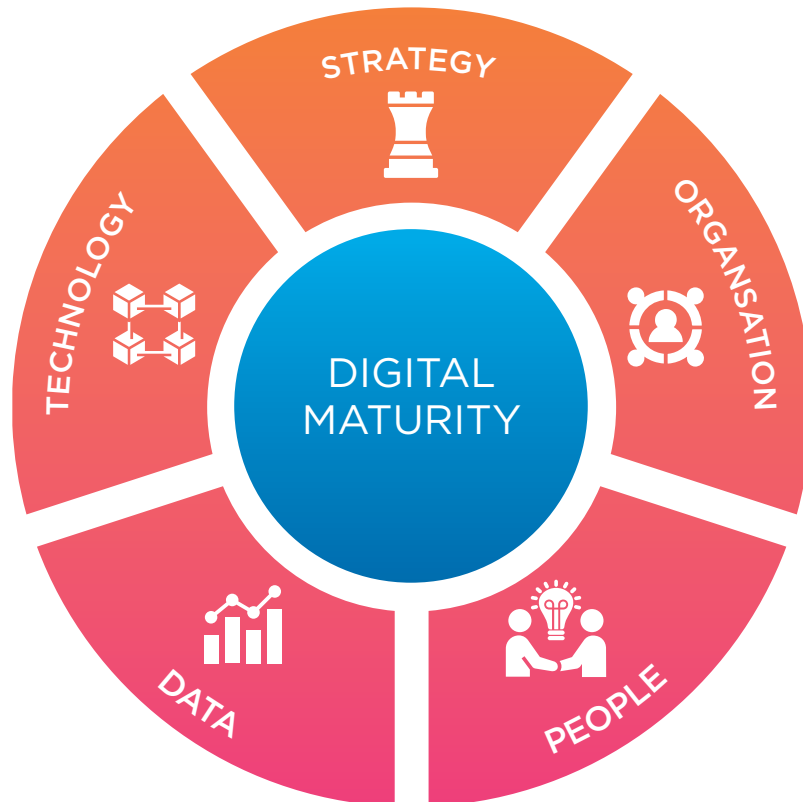
### DATA

Today, the collection and storage of internal as well as external data is increasing exponentially within companies. Data is the core of many advanced technologies and analytics and, hence, its reliability and operability should be ensured. Both structured and unstructured data need to be accessible and managed efficiently in order to create value from the data. Moreover, the acquired insights should be presented in a user-friendly way so that employees can make data-driven decisions.



### TECHNOLOGY

The use of technology is vital in determining a firm's digital maturity. In general, a distinction can be made between two kinds of technologies: less advanced technologies (Cloud computing, RPA/robotics, ...) are mainly deployed to automate a wide range of repetitive tasks; whereas advanced technologies (AI, Advanced Analytics, Blockchain, ...) must be adopted in order to automate and improve decision-making. As a consequence, good integration and alignment of these different technologies is crucial.

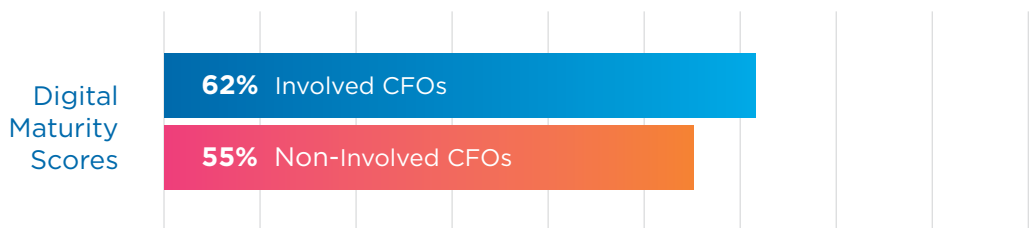


### THE CFO'S IMPACT ON THE DIGITAL MATURITY SCORE

Taking into account each of the 5 abovementioned dimensions, we have computed a digital maturity score for all of the firms in our sample. Again, the results support our arguments and emphasise that the CFO plays an important role in the firm's digitalisation. In particular, when we compare the average

digital maturity scores between the two groups, the results show that, on average, firms with an involved CFO score 7% higher compared to the ones in which the CFO is not involved. This is a clear indication that the CFO's involvement can truly accelerate and improve this transformation process.

### Digital Maturity of the SMEs





# WHAT DOES A SUCCESSFUL DIGITAL CFO LOOK LIKE?

The question now is how CFOs who are involved in the digital transformation process distinguish themselves from the others who are not involved. What exactly enables them to fulfil this new role successfully? We expect today's CFO to be an innovative leader who understands the latest technologies. Accordingly, in order to take the lead in the digital transformation, the CFO should possess or develop the following characteristics: an innovative mindset, leadership and technological knowledge.

## INNOVATIVE MINDSET

The CFO needs to be a promoter of innovation within the organisation. As technology typically accompanies innovation, technology and innovation are highly intertwined concepts. In this respect, an innovative and experimental mindset provides a platform for the enormous opportunities that the digitalisation has to offer. Nowadays, new technological applications are arriving rapidly, but the CFO is often fearful of them. The CFO doesn't dare to introduce these technologies within the company – often because he or she pays too much attention to the risks of digital failure instead of emphasising the numerous advantages the technology may bring forth. Hence, usually it's people – and not technology – that block innovation and substantial change. Therefore, the CFO should be open to change, encourage experimentation, and accept the possibility of failure. In this way, the CFO can create a truly open culture of idea mobilisation within the firm, which is essential to a successful digital transformation.

Having an innovative mindset in this context also means that the CFO needs to take a look at what is happening outside the finance department. In particular, CFOs need to consider the different customers that the finance office serves and think through how technology can help serve their needs even better. The finance office's customers can be both internal (such as the marketing department or the board of directors, for example) and external (such as suppliers

or investors). As such, it is important that the CFO develops a solid digital strategy – not only for the finance office, but for the organisation as a whole. Therefore, it's necessary to have a good overview of the current technological landscape and how it is evolving. And, since this landscape is evolving extremely quickly, it's important to re-evaluate this digital strategy frequently. This will allow CFOs to identify potential digital solutions and opportunities in time in order not to fall behind. Only in this way they will be able to decide how to use the new technologies within the current business activities.

## LEADERSHIP

In addition to an innovative mindset, a successful digital CFO needs to possess strong leadership skills and charisma, as the digital transformation is a complex company-wide process that requires an integral and multi-disciplinary approach. CFOs should therefore develop their cognitive, communication and interpersonal skills. In particular, the CFO must understand the business and its digital needs and think through how technology can improve the finance function. In this respect, today's finance leaders have to think and act the same way the CEO does. Moreover, they have to collaborate with all of the business' functional departments. CFOs should not only identify and implement digital solutions themselves, but they also need to help other departments leverage these technologies. This involves them in management meetings

across the organisation in which they should take the lead. In order to do this successfully, CFOs need to be able to tell a consistent and strong change story and approach the different stakeholders appropriately in order to include them in the firm's digital transformation story.

Although developing an in-depth understanding of how technology can improve the finance function, CFOs fostering agility will help CFOs further succeed in the digital transformation of their finance office. In his book on digital transformation, Stijn Viaene, argues that digital leaders not only need to design their firm's digital transformation strategy, but they also need to walk the talk. To this end, Viaene discusses 4 types of leadership styles that need to be cultivated when firms want to successfully transform their activities digitally: vigilant leadership, voyager leadership, visionary leadership, and vested leadership.

Applied to the CFO setting, a vigilant leader would require the CFO office to appoint a dedicated person/team that would constantly scan the technology environment and explore technology applications beyond the boundaries of their finance office that

could improve the current finance offering. To turn these potential opportunities into successful projects, the CFO needs to create room for experimentation. Voyager leadership is required as finance teams explore and test potential technological applications in close partnership with some of their stakeholders.

In a next phase, CFOs will need to upscale and exploit those applications that are deemed fruitful to the whole finance team. A visionary CFO can tell a story that inspires the whole team on the path forward. Finally, a vested CFO is also able to reflect on these learnings at the level of the company and its executive committee. As such, a vested CFO contributes to the digital transformation of various organisational activities and helps determine the resource investments required to further exploit the digital path forward.

CFOs that successfully drive the digital transformation of their finance offices also make use of a roadmap that helps them visualise and track digital priorities and how these priorities generate value over time. Such roadmaps give finance and other colleagues a clear line of sight into how their jobs are linked to the overall objectives of



the digital transformation, enabling them to work in a coordinated, collaborative fashion. Often, these roadmaps show the cause-and-effect links by which specific improvements create desired outcomes – for example, how investments in the right infrastructure and architecture for analytics tools and methods and in enhanced employee capabilities will enable finance offices to develop a data analytics competency and automate decision-making aids which, in turn, lead to increased finance office customer satisfaction and thus increased value for their organisation.

Now more than ever, the finance function's key focus will shift from that of a unit primarily providing internal transparency and transactional services to that of a business partner providing added value. As such, roadmaps that track the digital transformation of finance offices not only depict objectives for cost reduction and efficiencies but also for the generation of revenue growth and effectiveness. For example, by using machine learning to better predict the future value of a firm's users, finance offices can help business partners make better decisions in terms of which current users to retain and which potential users to acquire, positively impacting their company's revenue growth. In a similar vein, CFOs and finance offices that succeed in performing adequate data analyses in the context of ethics and sustainability may be pleasantly surprised by the rise in investor interest and additional gains due to a reduction in cost of capital.

Finally, successful digital finance leaders use this roadmap as the foundation for a scorecard with KPIs that helps them implement its transformation initiatives effectively and rapidly. Examples of leading KPIs are: percentage of annual technology budget spent on digital initiatives for the finance office; number of top technical talents attracted, promoted, and retained; percentage of finance colleagues' incentives linked to value-creating digital builds; and time required to build and deploy a digital application. Examples of lagging KPIs are the measurement of customer satisfaction rates in terms of overall satisfaction, but also the ease with which customers can rely on reliable and accurate information and the extent to which customers feel that finance

offices act in their interest. Finally, more and more CFOs look not only at the value being provided by cost-savings due to higher levels of automation and the use of new technologies but also at the revenue growth and the digital initiatives' collective support of strategic organisational goals.

## TECHNOLOGICAL KNOWLEDGE

The CFO cannot drive the digital transformation successfully without having an understanding of the technologies and their possibilities. Having an appetite for, and understanding of, what is new has become a must-have for the CFO. Lacking a clear understanding of the various digital opportunities is one of the most common causes of limited digital maturity today. Being able to work with emerging technologies is also critical. Therefore, CFOs should possess some IT skills in order to apply these technologies at work.

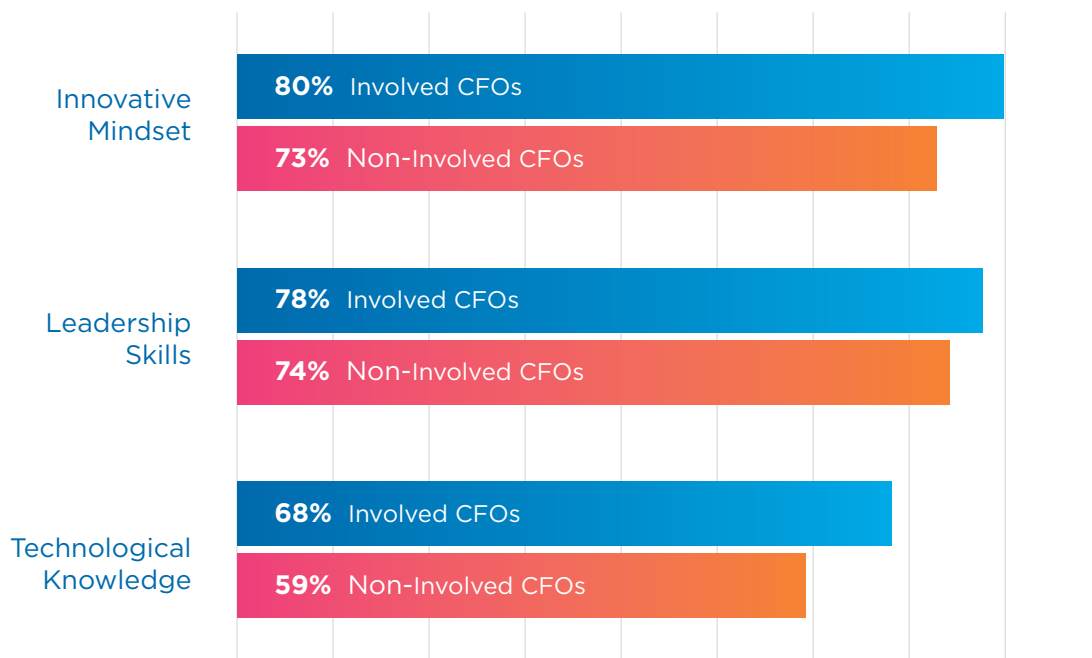
When talking about new technologies nowadays, a burning hot topic is the use of Machine Learning (ML). Although the technology itself is not new, the use of it has increased dramatically over the last few years. One of the most important reasons for this increase in popularity is that our society has become a data-driven society. Data is everywhere – and the amount of unstructured data, in particular, such as speech, text, and images, has grown significantly. This is exactly where the usefulness of ML comes in, as the technology enables the detection of patterns within enormous amounts of data.

Since CFOs are often confronted with complex data problems, ML can prove its usefulness and add value. For example, the technology can be used to automate certain tasks – such as VAT monitoring, tax reporting, or management of payables and receivables – which can in turn improve cashflow. In this way, ML can assist the CFO in making better decisions; and, at the same time, there is more time for value protecting and value creating activities. As such, the CFO needs to lead by example and develop an in-depth understanding of how ML (and possibly other new technologies as well) can add value to the finance office and the organisation.

In short, each of the abovementioned characteristics can be important in guiding a firm through a successful digital transformation process. In our survey, we asked the CFOs and finance leaders to what extent they possess each of these characteristics. What we find is that CFOs who are involved in the firm's digital transformation score significantly higher on each characteristic compared to CFOs who are not involved.

As can be seen from the figure, on average, involved CFOs (78.2%) attain higher scores with respect to leadership skills compared

to non-involved CFOs (73.6%). Secondly, on average, highly involved financial leaders give themselves a rating of 67.6% for technological knowledge, which is 9% higher than the scores given by non-involved CFOs (58.5%). Lastly, the importance of an innovative mindset is underlined by the results. With an average of 79.6%, involved CFOs score significantly higher on this characteristic than the non-involved CFOs (73.3%). As such, this result shows that, in order to bring the transformation process to a good end, CFOs should act as true leaders with an innovative mindset who understand the latest technologies.



## CONCLUSION

A majority of today's CFOs in our Belgian SME landscape are already highly involved in their firm's digital transformation process. On top of that, they seem to have an important impact on this process, as firms with an involved CFO perform significantly better in terms of digital maturity. This reinforces the idea that CFOs should take up a pioneering role in digitalisation and share their learnings and experiences across

the organisation. Moreover, these results confirm that CFOs today are truly acting as strategic business partners. In order to become such a successful digital CFO, leadership, an innovative mindset, and technological knowledge are necessary. Hence, it is highly recommended that CFOs be aware of this and develop the required skills and capabilities.

# HUNGRY FOR MORE?

**Embark on your digital transformation journey with the Vlerick Centre for Financial Leadership & Digital Transformation.**

The Centre for Financial Leadership & Digital Transformation has been established by Vlerick Business School to advance the understanding of AI, robotics, and related technologies to support and assist finance leaders around the globe in understanding the risks and benefits of these technologies and to explore their use for furthering the field and inspiring and educating future generations of finance leaders. The Centre for Financial Leadership & Digital Transformation connects a large network of stakeholders, including industry, academia, think tanks and governmental entities. It aims to provide the finance leader and finance community with knowledge and research on how to digitally transform the finance function.

More specifically, the Centre conducts action-oriented research, offers training and builds technical cooperation programmes. It also explores the conceptual design and development of AI-based tools that may help finance leaders in their value creation and value protection responsibilities, and in the simplification of their day-to-day activities. Within its operations, the Centre addresses

the lack of use cases by presenting real-life case studies on digitalisation. In these case studies, specific attention is paid to developing practical insights and models/tools that support finance leaders and their organisations in fully embracing the technology component and becoming more agile and effective in the digital era. The Centre shares its research and findings through its dedicated online knowledge-sharing platform. It also publishes a paper and case series, and hosts several workshops, expert testimonials, and residential seminars.

Our research and case studies cover a wide range of topics such as: predictive and prescriptive analytics, robotic process automation, AI & machine learning (risk & contract analytics, performance management, payment fraud detection, supplier selection, customer lifetime value predictions, ...), cloud technology, and blockchain. We also delve into data ethics and cybersecurity, creation and implementation of a digital finance strategy, cultural change towards a more data-driven finance function, dealing with the war for talent, etc.

**For more information about this white paper or about becoming a partner or member of the Centre for Financial Leadership & Digital Transformation, please contact:**



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