



APEX WHITEPAPERS

TOMORROW'S CFO: EVOLUTION OF THE ROLE

The renewed value of finance in 2020 and beyond





CONTENTS

Introduction	3
Executive Summary	4
The CFO of Tomorrow	5
Risk & Compliance	6-7
Adopting a New Mindset	8-9
Risk Management & Skills Required	10-11
Challenges & Stakeholders	12-13
Complexities of the Role	14-15
Conclusion	16
About Apex	17



So how did the role of Chief Financial Officer (“CFO”) ascend from that of an accountant to becoming the CEO’s business partner, most trusted adviser and multidiscipline strategist? Prior to the early noughties, the CFO performed a traditional finance role, responsible mainly for reporting the numbers, measuring performance with integrity and accuracy, and managing a firm’s checks-and-balances process. But as we now move into the 2020s, the role of the CFO is no longer about performing the once-traditional finance role.

Few periods have proven as challenging to the investment management industry as the past decade and a half, and it’s these challenges that have shaped the CFO’s new role of becoming responsible for much more than purely finance. The CFO of tomorrow will be expected not only to continue to deliver value as their duties evolve, but also to build skills in other areas of the business that will enable them to play a more active leadership role. Increasingly, there will be an expectation to rethink historic approaches by overcoming external pressures and finding new investment opportunities.

For the most part, CFOs accept that their roles will continue to change and evolve. There will be an increasing emphasis on non-finance roles, including strategic leadership, business transformation and performance management. In addition, the evolution of the CFO’s role will require a greater focus on capital allocation, big data analytics, technology trends and cyber security.

The CFO of tomorrow will be the one expected to ensure their business is fit for purpose and will be one of the key drivers of transformation. As such, a bigger part of their new role will be spent compounding activities and change to help execute strategic and financial objectives, as well as providing financial leadership in determining strategic business direction.

While these newer responsibilities present greater opportunities for CFOs to differentiate themselves and their businesses from competitors, many consider their businesses are still not yet prepared to manage these challenges.



In this paper we discuss the future of the finance function and, in particular, the future role of the CFO. Today, the landscape a CFO is required to navigate is more important and more complex than ever, undergoing perhaps its greatest change in recent history. Operating as a highly effective CFO in the future will require a more business-wide leadership role and the adaptability to keep up with the pace of digital disruption and technology.

Traditionally, the CFO was the steward of the business. But today, the CFO is firmly established as the right-hand person to the Chief Executive Officer (“CEO”), partnering with the business financially, commercially and strategically. While these tasks still remain central to the role, we consider how tomorrow’s CFO will have to assume new responsibilities and develop new skill sets.

In fact, there is already the expectation that CFOs should manage the impact of digital disruption and technology evolution, balance innovation with operational effectiveness, achieve a common standard across

traditional finance functions, promote an open-book approach to company data, and make data and analytics a priority for the entire team.

The CFO of tomorrow will become a digital steward, leveraging data to drive value in addition to improving efficiencies and delivering strategic insights. Their ability to access relevant data and react quickly will be crucial to mitigate and manage risk, and ultimately deliver business resilience. The short-term future will undoubtedly hold challenges that will see CFOs having to make fast, accurate decisions.

Our findings in this paper explore the evolving and transformational tasks of the CFO aimed at delivering a more strategically focused, value-focused and future-focused role. What is clear is that to achieve these outcomes, the CFO’s finance function will need to adopt a variety of advanced tools to deliver on the requirements of an increasingly automated and digital professional environment.

THE CFO OF TOMORROW

The CFO of tomorrow requires four core functions:

CATALYST

Maturing behaviours across the business to execute strategic and financial objectives while at the same time creating a risk intelligent culture.

STRATEGIST

Providing financial leadership in determining strategic business direction, mergers and acquisitions, financing, capital market, and longer-term strategies vital to the future performance of the business.

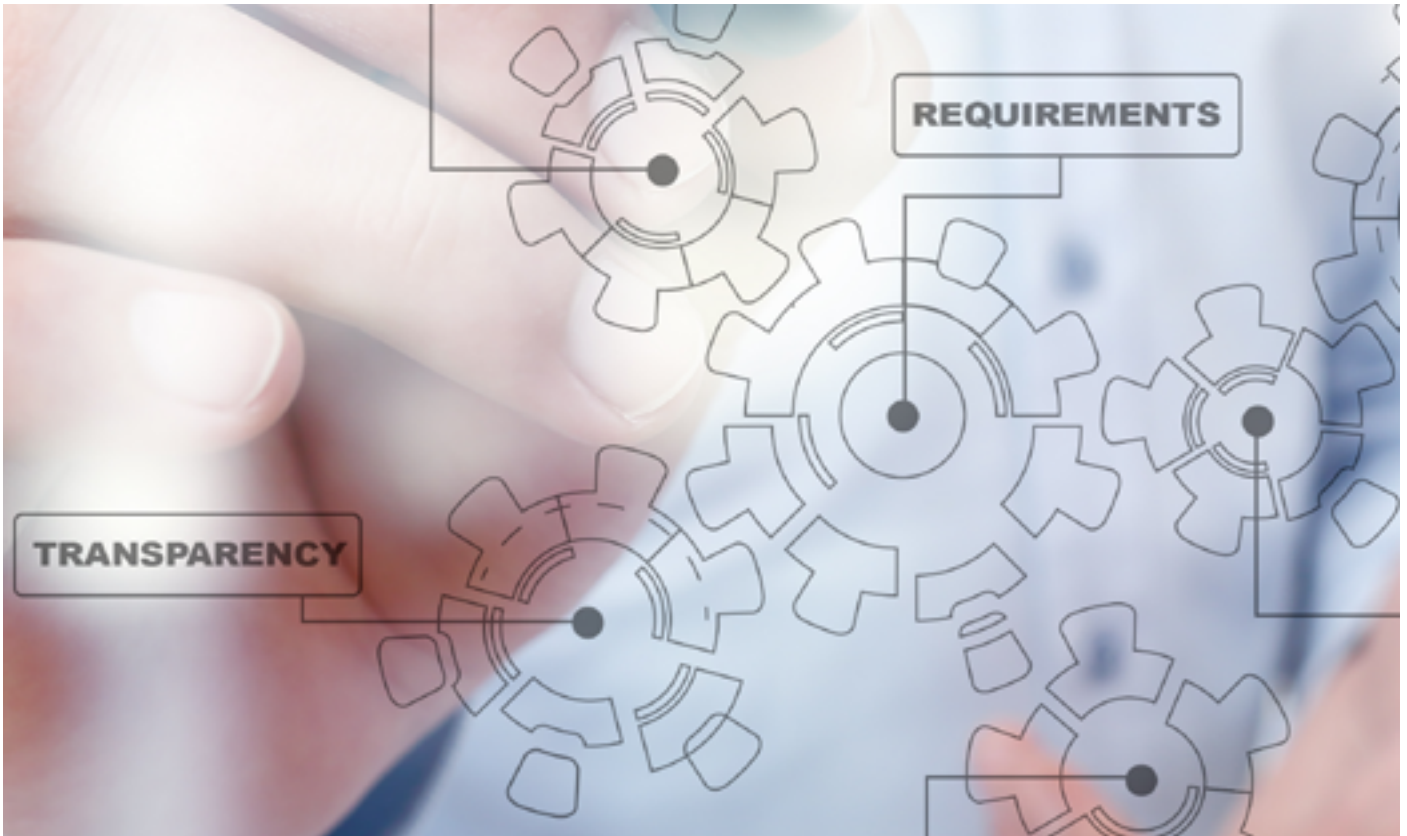
OPERATOR

Balancing capabilities, talent, costs and service levels to fulfil the firm's core responsibilities efficiently.

STEWARD

Protecting and preserving the critical assets of the business and accurately reporting on the financial position and operations to internal and external stakeholders.





Today, the CFO is regarded as the number-two executive in the C-Suite, meaning that the future will require them to have a stronger emphasis on managing change, driving growth and informing investment decisions. As regulatory requirements continue to increase, CFOs will also have a greater personal stake in the regulatory compliance process. In recent years, for most asset managers, there has been unprecedented disruption and regulatory change – and the trajectory of further change is set to continue.

Faced with advances in technology and growing responsibilities, CFOs are going to have to brace themselves for even more change ahead and understand that they must adapt to be effective. Tomorrow's CFO will serve both as an innovator and disruptor, and they will be expected to harness data to create new value.

Questions CFOs will need to answer:

Q: What could disrupt our business, and how will we respond?

Q: What is the dominant uncertainty facing our business, and how can we help structure and navigate it?

Q: What should we have on our list to stop doing?

Q: What are the dominant constraints on the growth of our businesses, and how can we use finance to push back these constraints?

Q: What are the areas of investment with the greatest uncertainty on returns, and how can we reduce uncertainty in the value of these investments?

Q: If we double or halve the size of our business, will we rescale flexibly or create more value for stakeholders?

FINANCIAL COMPLIANCE MANDATES

Compliance will continue to evolve into a full-time job as boards and C-Suites look to increase their compliance functions. Financial compliance mandates will remain major areas of direct responsibility for the CFO, and they are affected by – and need to be coordinated with – operational, legal and regulatory, and other compliance areas.

In a regulatory-driven sector (such as asset management),

when it comes down to financial risks in particular, the CFO of tomorrow will have to take up this responsibility. All these risk functions provide CFOs with significant access to business growth insights, investment needs and operational requirements. They'll be required to work with senior executives to develop additional profitable growth objectives, lay out the firm's strategic and execution plans, and create visibility on the progress of them.

Accountability & Transparency

It comes as no surprise that regulation will continue to have a major impact upon the future role of the CFO, as regulators look to improve accountability and transparency across financial services, particularly in relation to capital funding and new reporting requirements. This will be further exacerbated by the broader regulatory environment across the global economy that shows no sign of abating.

Environmental, social and governance (ESG) issues will continue to come to the fore, affecting regulatory reporting needs. As businesses grow across borders, managing the complexity that arises from regulatory inter-relationships, investor and shareholder ESG expectations plus societal pressures will be vital, and the speed of regulatory change across all areas is likely to become an even greater issue.

Resolving Regulatory Challenges

The CFO will have an increasing personal stake in, and accountability for, regulatory adherence and compliance, ensuring that the finance function has specialist resource and experience to resolve regulatory challenges.

It's likely that fund administration will continue as a growing distraction for many private equity firms, as structures become more complex and reporting more widespread. Increasing regulation, meanwhile, is proliferating across the world, making the role of tomorrow's CFO ever harder.

Outsourced Fund Administration

Going forward, a resource-intensive and complex-activity, fund administration will require a higher headcount, greater expertise and more sophisticated technologies than ever before. In a growing number of firms, CFOs will look increasingly to outsource this function – a trend that is already evident.

This will enable businesses to achieve scale, help them cope with seasonal reporting, and allow fund managers to deal with filings and compliance matters with ease and in a cost-effective way. On both sides of the Atlantic, outsourced fund administration is now increasingly becoming the norm.





As we move into a new era of global integration, businesses face ever more complex dynamics and decisions. One result is that the role of the CFO is likely to shift within many businesses to focus on making global initiatives succeed, and this will continue to have a significant impact on the CFO's role over the next decade.

Cornerstone of The Future CFO's Role

Business expansion may place new strains on businesses, such as how to access finance in markets and ensure adherence to additional local regulatory frameworks and compliance requirements. The finance function will need to be adaptable as it streamlines different rules and regulations into business-as-usual finance activity. CFOs will also need to establish how business expansion into new markets can be best supported by the finance function.

Global leadership will be the cornerstone of the future CFO's role. With finance responsibilities increasingly crossing borders, the CFO will need to navigate through, and embrace a vision for, the finance function that cuts across different cultures, working practices, beliefs, languages and time zones.

Relationships will increasingly become more global and often virtual for many of the CFOs of tomorrow. We're already seeing firms rethink their business models and location strategies. As a result, CFOs are having to accommodate and manage a much broader and diverse set of business issues than they've previously faced.

Need to Adopt a New Mindset

But, while leading the charge on cross-border initiatives becomes an expected part of the CFO's scope, not all are equipped to take on these new responsibilities. The reality is that some CFOs will need to adopt a new mindset.

For CFOs to remain relevant for the future, they will need to demonstrate global experience and an awareness and understanding of how different business models play out in particular regions or countries, together with the different strategic challenges and opportunities faced.





Today, digital technologies are increasingly forming part of the everyday role of the CFO: application programming interfaces, robotic process automation, mobile phones, data analytics, blockchain, cloud computing, artificial intelligence, and machine learning. The CFO of tomorrow will continue to be faced with an array of choices when it comes to technologies that will transform how they perform their role.

Significant Opportunities for Analytical Insight

Large and complex data sets driven by the Big Data revolution will also continue to provide challenges for the CFO. As well as significant opportunities for analytical insight into the business by the finance function, the CFO will be at the heart of this data revolution. New technological developments will serve to help gather and unify data in real time. This will allow for more effective business intelligence to identify new market and profit opportunities and predict trends. Measuring and managing business performance, running simulations or bringing customer insights will also be key drivers.

Going forward, the CFO of the 2020s and their finance functions will need to be very adept in leveraging this technology. CFOs will continue to become further entwined with technologists and the Chief Data Officer (“CDO”) to ensure that the outcomes are those that are most complimentary for the business. The reality will mean they’ll spend less time on recording and verifying the numbers, instead spending more time making the data connections and explaining the number implications.

In addition to these rapidly changing technological developments, CFOs will need to be able to look beyond the traditional boundaries of the finance function and collaborate with CEOs and other business functions to develop data-driven and insight-driven strategies that create sustainable growth and long-term value. Increasingly, the CFO of tomorrow will need to wield the power of digital to secure their business’s growth objectives.

Outsourcing Technology Functions

In the current age in which businesses operate, scenario planning and stress testing will become critical priorities as outcomes for the finance function. Ahead of this, key enablements for tomorrow’s CFOs and their finance operations will see them increasingly performing predictive analytics and forecasting future performance based on past performance.

A decade ago, the trend toward outsourcing technology functions to global financial service providers like the Apex Group was just starting to gain traction, but today it is commonplace across the private equity and hedge funds sectors and can help firms get ahead.



The nature of the risks that businesses face is changing, requiring more effective risk management approaches. Increasingly, CFOs have a role to play in safeguarding, ensuring a more appropriate corporate ethos. We envisage the future will see more pressure levied on CFOs to transform their finance functions and to drive a better service to the business at zero cost impact.

Guardian of the Company's Assets

Tomorrow's CFO will be seen as the internal safeguard to a better corporate ethos, with the rest of the board playing their part and setting the tone from the top. But ultimately, it will be the CFO who is the guardian of the business's assets.

Access to capital markets will also become an even greater priority for CFOs in the future. In a more volatile environment, and a more uncertain investment climate, ensuring the right balance of business funding will provide finance leaders with increasingly significant challenges. More than ever, future CFOs will need to put in place appropriate policies in relation to capital investment, cash availability and shareholder return – therefore balancing risk and return effectively will be critical.

Emerging risk approaches will place a new premium on understanding the breadth of risks faced by businesses. There will be a greater need for transparency with tomorrow's CFOs, and their finance functions will be best placed to calibrate the risks faced by the business and to advise on appropriate actions.

Unprecedented Levels of Disclosure

Businesses are increasingly looking to investment managers and independent third parties to maintain fund books and records, send out statements, and process capital calls and distributions to investors. The financial crisis reinforced the need for transparency in complex and opaque areas, and both investors and regulators alike are now demanding unprecedented levels of disclosure.

With the demands on transparency escalating, global financial service firms like the Apex Group are seeing a growing number of clients turning to them to outsource and alleviate the burden of their fund service requirements applicable to private equity. With the mounting pressures for transparency and data control, managers are looking for firms that fit their requirements in terms of being both globally connected and able to offer a holistic service solution. A single-source solution, such as that of the Apex Group, enables firms to streamline vendors' relationships, in turn decreasing the number of providers in the data transfer chain to enhance controls and mitigate risk. This is also the reason that the CFO will get even closer to the vendor selection process to ensure all objectives are met by the chosen provider.

DIFFERENT SET OF SKILLS

The CFO of tomorrow will require a different set of skills to those traditionally honed by the finance function. Top of the list, according to Ernst & Young (EY)[1], is the finding that 74% expect the need for a greater understanding of digital, smart technologies and sophisticated data analytics over the next five years. No longer will the CFO see the IT department as a capital drain, and they will increasingly become digital evangelists.

Currently, 58% of CFOs expect to have to improve stakeholder management skills, including investors and C-Suite members, and 53% aim to improve strategic risk-management skills. 21% of the CFO respondents will look to increase exposure to major strategic change programmes, such as IT delivery or mergers and acquisitions integration.

“74% of CFOs expect the need for a greater understanding of digital, smart technologies and sophisticated data analytics over the next five years”





CHALLENGES OF TRANSFORMATION



To drive business growth and lead in an increasingly digital age, the key challenge for CFOs will be understanding how to transform and redefine their function so they are properly equipped to play a key role in guiding their business for the digital age.

Understanding and Leveraging Emerging Technologies

The CFO of the future will need to be a driving force in leveraging emerging technologies, such as artificial intelligence, blockchain, the internet of things and cloud-based systems, as well as in establishing how these can best benefit the business.

Ultimately, CFOs will need to lead the finance team to a higher level of proficiency in all matters technology and digital, ensuring there is a close working relationship with IT management to develop strategies for keeping up with emerging technology and conducting analysis on how it will affect the firm's bottom line.

Tomorrow's CFOs will have higher expectations of what finance models can deliver. Their needs for augmenting finance operations will be greater, and they will need to ensure finance is a catalyst for change across the business to drive outcomes that will affect long-term business performance – not just short-term finance outcomes or one-off cost reductions.

Reducing costs, improving efficiency and becoming a better partner to the business are the typical aims of finance transformation and a key priority for tomorrow's CFO. The growth of outsourcing and finance to providers like the Apex Group is testimony to the fact that CFOs are focusing on the re-engineering and transformation of finance activities.

CFO's Primary Transformation Concerns:

1. Employees across functions struggling to adopt emerging and evolving technologies.
2. The emergence of new, cyber-related risks that make the investment redundant.
3. The technology becoming outdated before the return on investment is achieved.
4. Combining different data sets proving to be very time-consuming.
5. Investments not being suitably balanced between core and new business.

Source: Accenture's 'From Front Line To Bottom Line' research [2]



STAKEHOLDER MANAGEMENT



Increasingly, CFOs will become defined as the face of their corporate brands and will be required to provide ongoing communications with investors and others to keep them apprised. We see stakeholder management and relationships in the future becoming even more important. CFOs will have a greater role to play in strategy validation and execution because the environment is becoming more complex and fast-changing, allowing CFOs to call on the analytical skills that they can bring.

Increasingly, CFOs will be acting as the perfect partner to the CEO. They'll still need to keep an eye on their traditional gatekeeper responsibilities, acting as a voice of caution in the face of poor investment strategies and business decisions that are short term and detrimental

to shareholder value in the long run. However, we see the balancing of priorities concerning collaboration and independence as one of the key defining attributes of the future CFO's role.

Increasingly, the relationship across the entire senior management team will matter too. The extension of finance's internal remit will mean good relationships need to be maintained. Tomorrow's CFOs will be required to deal with the media and brokering the external relationships that matter to the business and will need to get closer to the Communications function as a result. They will also need to embrace and use new media channels to perform these functions more effectively and in a more timely manner.



BROADER, MORE COMPLEX ROLE

What a difference two years can make. Results from the McKinsey 2018 Global Survey^[3] highlighted the fact that in the two years since their previous survey on the topic, CFOs say the number of functions reporting to them has risen from about four to more than six. What's more, the share of CFOs saying they oversee their firm's digital activities has doubled during that time. And many finance leaders say they are being asked to resolve issues in areas that are relatively new to them while continuing to mind traditional responsibilities, such as risk management, that remain business priorities.

The results from the survey confirm that the CFO's role today is broader and more complex than it was even two years ago. Most notable since the previous survey are changes in the CFO's responsibilities for board engagement and for embracing digital (that is, the enablement of business-process automation, cloud computing, data manipulation and advanced analytics). The share of CFOs saying they are responsible for board-engagement activities has increased from 24% in 2016 to 42% for digital activities.

Another such change is the CFO's involvement in strategic decisions, suggesting that finance leaders have more room than they may think to leverage their expertise and influence, especially since many other C-level executives believe CFOs should spend more time on strategic leadership in the coming years.

“The share of CFOs saying they are responsible for board-engagement activities has increased from 24% in 2016 to 42% for digital activities.”³

“Almost one in three CEOs worry that their CFO isn't prepared for the challenges ahead, according to 'The View from the Top', KPMG/Forbes Survey of 549 top executives from six continents”⁴

Evolution of the CFO's role

Maintaining a more investor-based mindset should help preclude the kinds of misunderstandings that draw the attention of activist investors, which less than one third of CFOs say their companies are well prepared to manage. Companies can no longer operate as if they are invulnerable to potential advances or demands from activists.

To avoid becoming the next unsuspecting target proactive steps should be taken. This means listening to shareholders by conducting regular perception surveys.

Companies should also regularly assess weaknesses or potential exposure, by evaluating the business from an activist investor's perspective. It is also important to take control of engagement with shareholders to maintain relationships with the corporate governance groups to be able to spot issues before they potentially arise.

As new technologies and trends continue to add to the evolution of the CFO's role, they should also have the potential to make it easier for finance leaders to understand current business complexities.



FORCES DRIVING EVOLUTION

Five key forces that will drive the evolution of tomorrow's CFO's role:

Increased expectations of CFOs from boards, CEOs and enterprises overall

The pace of change will keep accelerating

Continual pressure to show growth and profits will remain constant

The data-volume explosion will require both focus and new capabilities

Expanded control and compliance expectations driven by regulation and consumer expectations





Looking to the Future

The findings of this paper highlight a significant shift in the direction of travel for the CFO's role of tomorrow in a world of industry convergence, changing business models, regulatory shifts and talent wars. This new and ever-evolving finance function will need to be ready for a new set of challenges. All of these in the corporate environment will necessitate a push towards a more modern finance role and skill set that is ready for anything

As disruption in the asset management industry continues to gather pace, the CFO's role throughout this next stage of the industry's evolution will take on new significance and urgency. It will become more important than ever that CFOs take an active role in framing strategic opportunities and driving the planning process.

Outsourcing to third parties is a function more CFOs are likely to turn to over the coming years as bank capital becomes scarcer, making financing sources harder to lock down across the private equity and hedge fund sectors.

Increasingly, CFOs will be required to demonstrate experience in capital markets, mergers and information technologies. The businesses of tomorrow will expect CFOs to have a more active role in managing external stakeholders and investor communications. They will also be required to have experience in operations and other corporate functional areas and to encourage their subordinates to pursue cross-functional paths to broaden and deepen their teams' skills.

In addition to this, another major issue is the threat and rise of more phishing and other IT penetration scams that could turn CFOs and COOs into 'sergeants-at-arms' tasked with protecting the firm's data across the private equity and hedge funds sectors.

In response to some of the challenges that lie ahead, the converging issues asset managers face will require a financial leader not only to provide analytical support on request, but also to challenge the wider business to get ahead of these issues and create new processes for long-term success. Ultimately, for the CFO of tomorrow, being a major contributor to the firm's competitive advantage will be more essential than the historic traditional finance role.

Technology for portfolio and operations management will increasingly mean the CFO will need to be more articulate in fully leveraging the different platforms applicable to the private equity and hedge fund sectors. The CFO of tomorrow will have to be prepared and equipped to navigate all of these new challenges. At the very least, the CFO's expanded scope will likely bring more recognition of the value finance can bring to the overall business.

A Single-Source Solution

With experts in over 40 offices worldwide, Apex is able to deliver solutions no matter where you are in the world or where you want to invest.

Our powerful global infrastructure and technical knowledge enable us to provide market-leading global custody, banking, depository, fund admin and corporate solutions to our clients through a single relationship. Our pioneering single-source solution supports the evolving role of the CFO through streamlining vendors relationships and in turn the data transfer chain, mitigating risk and enhancing efficiencies.

Source Data

[1] https://www.ey.com/en_au/advisory/is-the-future-of-finance-new-technology-or-new-people

[2] https://www.accenture.com/_acnmedia/PDF-85/Accenture-CFO-Research-Global.pdf#zoom=50

[3] The New CFO Mandate December 2018 <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-new-cfo-mandate-prioritize-transform-repeat>

[4] <https://home.kpmg/pt/en/home/insights/2016/07/view-from-top.html>



ABOUT APEX GROUP

Established in Bermuda in 2003, Apex is a global financial services provider. With over 40 offices worldwide and over 3,000 employees, Apex delivers an extensive range of services to asset managers, allocators and financial institutions.

The Group has continually improved and evolved its capabilities to offer a single-source solution through establishing the broadest range of products in the industry, including fund services, bank account opening, depositary, custody and super ManCo solutions.

Our Values

WE CARE

We care about our work. We care about doing a good job. We care about each other. We care about the environment and society. We don't do 'that's not my job' – 'that's not in my role'. We strive to put what's right for the team and our client first.

WE PROMOTE RESPECT

We don't have egos. We respect each other. Every role and every person brings value. We listen. We embrace diversity in all guises. We don't tolerate dismissive behaviour, lack of inclusivity or bias.

WE ARE EXCEPTIONAL

We go above and beyond. We strive to be the best. We are motivated. We are always learning. We are candid. We are transforming. We are never complacent, and we believe in our people.

WE DRIVE GROWTH

We drive growth through collaboration and openness. We drive growth through inclusivity. We drive growth through investment in our business and our people. We drive growth through the promotion of excellence.

Mission Statement

To strive every day to be a better business by listening to our clients, living our values, evolving our service offering and rewarding our people.

Vision Statement

To constantly evolve, to give people a choice and to always be the best option.





www.theapexgroup.com

enquires@apex.bm

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