How CAOs and controllers juggle bigger roles and greater unknowns

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In a roundtable discussion, senior finance leaders tackle the volumes of change, navigate the complexities of AI and address the need to consistently demonstrate value creation.

Chief accounting officers (CAOs) and Controllers are confronting unprecedented levels of change (geopolitical, economic, technological), a continuing reshaping of their workforce and an expansion of their portfolios that is putting an increasing premium on value creation. How are they juggling all of that?

Participants from across industries compared notes on some of their most urgent issues when they gathered in New York for the June meeting of the Fortune 100 CAO/Controllers Leadership Network (CCLN).

- With so much in flux, how can I keep on course? A new way of thinking offers more flexibility to switch from highly focused to big picture and from certainty to curiosity, increasing the odds for clarity and innovation.
- How do we help the next generation of talent get the experiences and skills they need to replace us?
- How do I wrap my function's arms, and budget, around artificial intelligence (AI) when I'm not sure where to start? Quick tip: don't just turn it over to IT but find specific business needs it can address.
- In the search for value creation, is it time to look at alternative operating models and structures? And if my function has already made that move, is there more fine-tuning to do?
- What about all of the changes coming out of Washington? Catching up with the SEC's priorities and Congres's final lap with the tax bill.

The roundtable was organized by The Center for Executive Leadership (CEL) and hosted by Myles Corson, EY Global Strategy and Markets Leader, Financial Accounting Advisory Services, and EY CEL CAO/Controller Program Leader.

Here are highlights from the roundtable.

What if we thought about thinking in a different way?

Not long ago, being an expert was the gold standard, the foundational goal for generations of finance professionals.

But when it comes to talent development these days, "success is being versatile," said Myles Corson, the roundtable host. "Too many people in the finance function are too comfortable being an expert – knowing everything about X can make you very successful yet can also close you off."

At a time when resilience and curiosity are needed to explore the uncertainties and unknowns around us, openness to learning new skills and taking more risks creates opportunity.

How can we let go of our comfort zone and our fear of failure long enough to grow in new ways? And how can we recognize that the assumptions and experiences that make us an expert can also limit us even within our comfort zone, by keeping us from seeing new opportunities with hidden value?

Calling on four ways of thinking can help challenge ourselves to consistently use different thinking styles to open up alternative paths and solutions, not just assuming that the solutions we jump to as experts are the right ones.

Dr. Shawn McCann, Senior Advisor, EY Director of Behavioral Science, and coauthor of a recent Harvard Business Review article shared the types of thinking that leaders need to practice and to teach their staff. Two of the four ways are data-driven – *systems thinking* is holistic and Expert Thinking is domain specific.

The other two trigger the imagination. *Strategic thinking* doesn't involve planning per se but rather asking the question, "what if?" and exploring the scenarios that result and the obstacles that may get in the way. And *critical thinking* challenges the assumptions that you and/or your organization have about your domain and identify where the outer edge of expertise lies.

You use one way of thinking at a time, but all four can quickly come into play – giving views that range from intensely focused to a panoramic 30,000 feet.

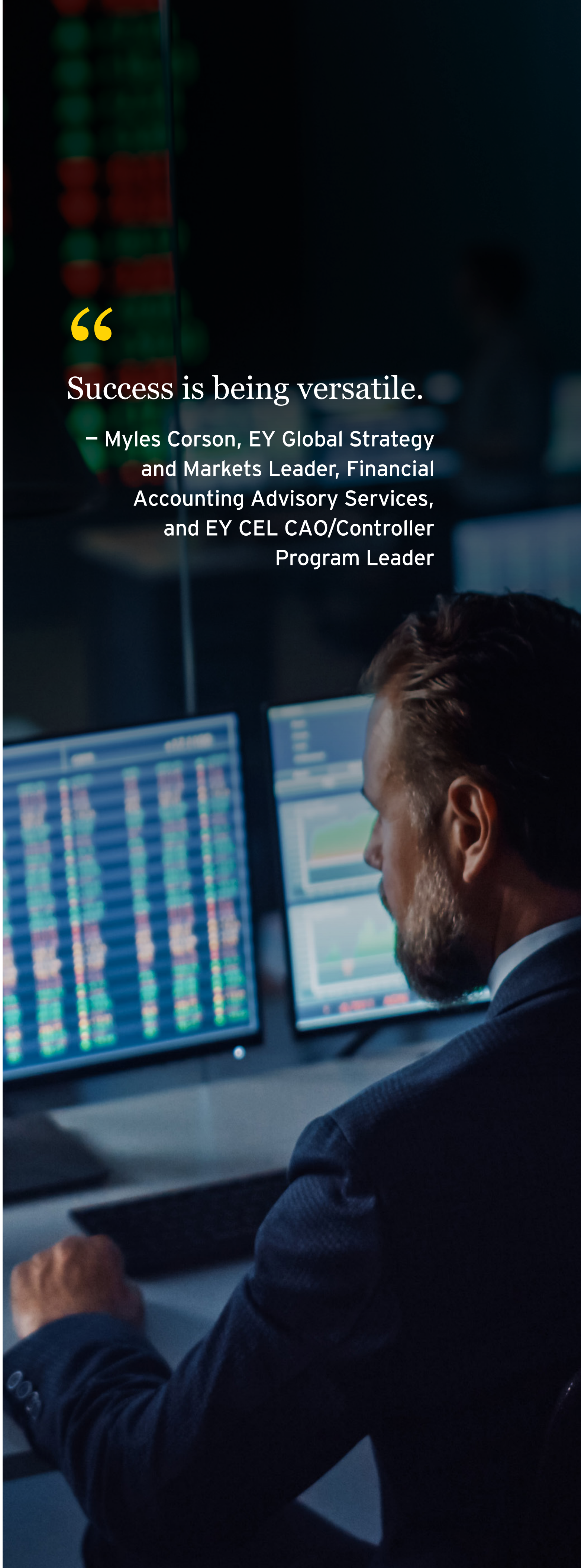
"Too many experts can't pivot – they just want to be an expert," said one attendee. "They need these other ways of thinking."

Another recalled working for someone who used his expertise "to rule with an iron fist." Then a new person came in who applied critical and strategic thinking, and it was like "turning a light on – it was almost like a new company. It's been good."

Some people need a slight push to get out of their comfort zone. Learning-based work is one form of stretching – pairing people up to support one another in using the new thinking. The idea is to give people a safe space.

"Leaders have to make clear that it's OK to be vulnerable," McCann said, "and to reframe a failure as a learning and growth opportunity."

"We all hold on tight to negative traumatic things in the past," said one executive. "We have to be open to let go of the baggage."



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Coping with a new curveball in succession planning

When CAOs and controllers look internally for their successors, they often realize there are few viable candidates who are actually ready to step up.

Ironically, one big reason is that the senior finance roles are continuing to grow in importance, with the CAO becoming the go-to person for new incremental projects. The problem is a disconnect with what is happening below, said many at the roundtable. As functions have become more complex, they tend to hold on to those who are "tried and true." The result is an emphasis on specialization and a narrowing of experiences and skills.

CAOs and controllers have been pushing back, in part by having formal talks with potential candidates. At times, they have to encourage, even force, more movement from function to function and from domestic to foreign postings. "You can be a specialist, but you have to be competitive on a number of fronts," one said.

When someone seems to be on the right path, another said, "We try to give them different opportunities to step up." If no one pans out, though, it's time to go outside. But before you get to that point, another attendee cautioned, be sure you haven't overlooked someone good.

"There can be resistance to a lot of potential candidates, that they don't check all the boxes. But maybe you didn't either. We have to be open to take chances." Are they smart? Do they have the ability — and the willingness — to learn? Do they have a high emotional quotient?

"We also have to get people excited about the function: It has a great culture, it can be the place to develop the right mix of skills, and it does provide fair rewards," said Roselyn Feinsod, EY People Consulting Finance Leader. Getting people to commit can be difficult, though. Coming out of the pandemic and with the cutting of cords that led to the Great Resignation, many people now in the profession aren't "looking for a destination so much as just always looking."

As for succession to chief financial officer (CFO), fewer CAOs are getting the nod than in recent years, said Jim Lawson, Co-Leader of the Global Financial Officers Practice at Russell Reynolds, the executive search firm. For one thing, both CAOs and Controllers are very much needed in their existing roles. For another, investment bankers are increasingly being tapped for CFO, valued for their capital allocation strategies.

That said, there still is a path to CFO for both CAOs and Controllers, albeit narrower than before, said Juan Uro, EY Americas Leader for The Center for Executive Leadership.

In the running or not, CAOs and controllers have to raise their profile, and that of the function, if they want to get a seat at the table and better claim their new mantle of value creator.

After all, said one executive, "We have an enterprise-wide view and can be a trusted counselor to the CFO. But we have a bad habit in telling our story, often diverting to our expert quadrant when we talk about 10Ks and away from our other quadrants."

It is very important to "get more airtime" with the CFO and at some point, have a direct conversation about the role you can play. One attendee recalled his CFO telling him to shake things up. "I want you to be the chief meddler."

To the extent that CAOs and controllers can indeed raise their profiles, they may well make it easier to find their successors.

Becoming an AI-savvy leader

One financial executive is still pinching herself about turning AI loose in a straightforward search for anomalies in a data set. "How did I learn how to use AI? I asked it to teach me, and it did. And it saved us a lot of work."

But another executive, recalling a far more complicated software integration, isn't as nostalgic. "We got lots of scrapes and bruises. I'm not saying it was a total loss. But we grossly underestimated the cost of some things."

AI is still in its infancy, and its results are clearly mixed. To unlock funding, there is often a big push to make the business case and estimate the return on investment.

But like the internet in the 1990s, "We don't yet know what the upside is," said Corson, the roundtable's host. "So how do you prepare for the unknown?"

You begin to find your way by not delegating AI to the tech side of the firm, said David De Cremer, Dean of Northeastern's D'Amore-McKim School of Business and author of *The AI-Savvy Leader: Nine Ways to Take Back Control and Make AI Work*.

Finance executives, not IT, need to play the key role because their business perspective will be indispensable in hitching AI to the right tasks, De Cremer said. "The next great leadership challenge is creating AI value."

You need to start with a business question. Will AI help with that question by "augmenting" what you know by doing something with the data that you can't do, or will it just replace your effort with its own, making the process faster but not "smarter"?

Keep the human at the center of the process, De Cremer said. "You can look at data all you want but at some point, you have to make a decision" about what it means and what to do with it. "AI can't make choices – it has no judgment." Put another way, the leading practice is "humans first, AI second – it makes humans better at being human."

And you also have to put soft skills to work, he said, encouraging resilience, adaptation, agility, curiosity and proactive problem solving in your people. Create "sandboxes" for them to learn what AI can and can't do. And be patient. "Trying implies failure."

Short-term frustrations must give way to a broader view for investment. The real payoff, De Cremer said, will come only when AI "helps the entire organization, and that's going to take some time."

From efficiency to effectiveness to breakthrough value

Shared services has been around since the 90s, and it still exists for handling, for example, finance or IT processes on a regional basis from a lower-cost location. Leveraging labor arbitrage, it fosters efficiency and cost cutting.

Over the years, multifunctional shared services appeared, and then the first version of global business services (GBS), which stitches a company's regional operations into a single more effective system featuring worldwide governance.

The next two versions of GBS have been the game changers, promising "breakthrough" value with a strategic focus fueled by data analytics. Intelligent GBS enables end-to-end process automation and digital service management. Transformative GBS, today's cutting edge, adds a customer focus and intelligent automation to the mix. Together, they are breaking down the silos separating both business units and functions and producing bigger benefits across the organization than those that come from labor arbitrage.

"There is no one model that is leading practice for everyone," said Kim Cuyler, Ernst & Young LLP GBS Principal. "Every company is different, in its culture, size and other factors."

That said, 80% of the Fortune 500 that responded to a recent survey by the Shared Services & Outsourcing Network (SSON) say they are committed to GBS, making it one of the fastest-growing tools for enterprise-wide performance.

"A lot of organizations are starting the transition to GBS now, especially those that have grown through acquisition," Cuyler said. Before going there, they would do well, she said, to figure out what they want to get from the shift — advice that was similar to what was offered in the AI discussion.

If they decide to go ahead, and they already have an earlier version of shared services, one key question is whether to start over or to leapfrog. Before jumping into the most mature versions of GBS, you have to build trust in the operation since those who run it need to "own" pieces of the business to deliver end-to-end services.

"We did it very slowly," said one executive about leapfrogging. "We didn't want it to fail."

While the transition was "really helpful," the executive said, there were a number of bumps, and those were related to another important decision — whether to outsource or insource GBS staffing.

This executive's program was outsourced and there was a "lot of turnover and a lot of retraining. It took a lot of time and a lot of trips over there. We even had to put an expat on the ground to be in the same time zone."

Many companies do better with a captive shared services model, Cuyler said. Attrition is much less, and the output is superior. "You have more control over the employees, and it will pay off over time — they are your people. Don't underestimate the clarity of ownership and quality."

"There is no one model that is leading practice for everyone.

—Kim Cuyler, Ernst & Young LLP GBS Principal

The SEC's priorities and the tax bill's final lap

The attendees were brought up to date on changes emanating from Washington by two veteran observers of regulatory and tax matters: Mark Kronforst, EY Americas Director of SEC Regulatory Matters, and Ray Beeman, Washington Council Ernst & Young Practice Leader.

The Securities and Exchange Commission (SEC) is still a work in progress in terms of setting a full agenda, filling its senior ranks under its new Chairman, Paul Atkins, and adjusting to the loss of 15% of its staff (all voluntary at the time).

Much of the SEC's focus since the inauguration has been on matters related to cryptocurrency and other digital assets, Kronforst said, adding that it is developing into an agency-wide priority. Rulemaking projects related to digital assets appears likely, he added.

Some changes are already clear, Kronforst said. SEC staff members have indicated that the agency is open for business "and is very interested in having conversations" about potential ideas for change. Comment letter volume appears to be down, although full statistics are not yet available.

Capital formation is expected to be a significant focus of the SEC, which will likely include efforts to reduce burdens on smaller issuers and make IPOs more attractive.

As for the pending tax legislation, Beeman described some of the changes being considered by the Senate and handicapped, what the House might do in response.

In terms of timing, enactment is being sought by the end of July, avoiding a debt limit crisis in mid-August.

Use this link to stay up to date on policy developments.

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