



EXECUTIVE INSIGHTS

Office of the CFO: The Evolving Platform Solutions Landscape and Its Implications

The office of the chief financial officer (OCFO) is increasingly playing a central and strategic role. However, until recently, the OCFO has been limited by legacy systems and outdated technology architectures. But a shift in the OCFO ecosystem is underway that will revolutionize the landscape and present opportunities for finance teams and solution vendors alike.

In this article, L.E.K. Consulting explores not only how the role of the OCFO is being transformed, but also how market technologies have evolved, and will continue to evolve, to satisfy the ever-changing needs of CFOs and the broader finance function.

OCFO solution evolution

Historically, the OCFO has been responsible for several critical operational areas, including accounting and reporting, budgeting and planning, audit, tax, and risk management. These functions were served by large on-premises enterprise solutions, with a primary focus on financial and risk reporting, aggregation of data, planning, and budgeting. These legacy solutions are often expensive and difficult to integrate into existing systems and typically involve extended implementation timelines. They are also typically more enterprise resource planning- or general ledger-focused systems and require separate software to run analytics or scenario analysis, making planning onerous.

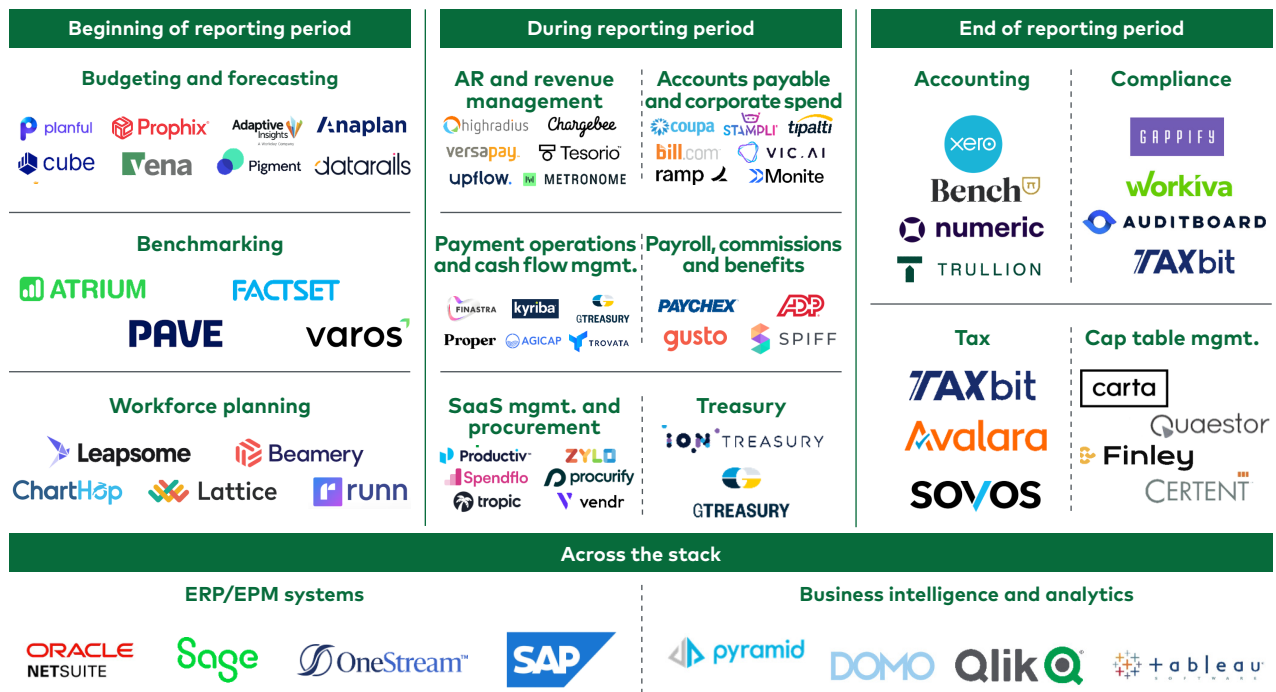
Recently, the CFO role has been expanding from traditional, more technical functions of reporting, accounting and finance to encompass a greater focus on strategic planning, capital

allocation and value creation across the organization. This evolution positions the CFO as a vital strategic collaborator with and thought leader for the CEO and the board, taking over some responsibilities more traditionally associated with the chief operating officer, with influence on human resources, sales, IT and more. These new responsibilities coincide with a growing demand for best-in-class technology within the OCFO ecosystem to drive improved functionality, automation and integration, which has resulted in the proliferation of innovative point solutions with intuitive modern user interfaces, real-time access to data and other benefits.

The desire for a best-of-breed solution for each use case has led to the widespread adoption of point solutions across the OCFO tech stack. Many organizations now find themselves using a different vendor for interrelated functions such as corporate spend, accounts receivable (AR) and treasury.

Figure 1 illustrates the proliferation and variety of these solutions and their providers.

Figure 1
Examples of point solutions across the OCFO stack



Note: OCFO=office of the chief financial officer; AR=accounts receivable; SaaS=software as a service; ERP=enterprise resource planning; EPM=enterprise performance management
 Source: L.E.K. research and analysis

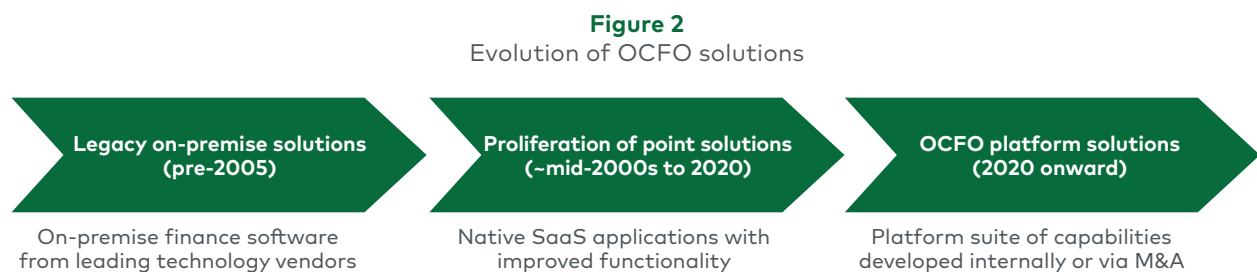
The effort required to manage several isolated, albeit best-of-breed, solutions has started to impact OCFO solution users. A recent survey by Bain Capital Ventures found that 70%-80% of CFOs expressed interest in switching to a single vendor that provided an integrated offering.¹ This indicates an increasing desire for platform solutions with best-in-class functionality that serve as the single source of truth across business units and the entire OCFO tech stack.

Platform solutions are a major frontier for OCFO offerings

Given this desire to consolidate solutions, a major frontier for OCFO solutions is expected to involve building platform solutions with integrated workflows that address a broad range of needs across both the OCFO landscape and individual business units. The suite of services will help organizations manage their finances more effectively and will enable a holistic view of the entire organization, allowing CFOs to more effectively elevate their roles as strategic partners to the CEO and board and further strengthen their position as a core strategic pillar in business planning.

The inability to implement integrated solutions and workflows will become increasingly problematic as expectations of the OCFO continue to shift toward a strategic advisory partner of the CEO and board. For example, a recent Accenture survey noted that 76% of CFOs agree that without “one version of the truth” across business units, they will struggle to meet their objectives.² Broader platform solutions are created by adding integrated solution functionality into a platform suite via internal development or external M&A.

The evolution of OCFO offerings has been ongoing for the past 20 years and is expected to continue shifting to meet changing CFO needs (see Figure 2).



Note: OCFO=office of the chief financial officer; SaaS=software as a service
Source: L.E.K. research and analysis

OCFO platform solutions are designed to augment the office’s existing capabilities, thereby enhancing the team’s overall effectiveness and its ability to contribute to the strategic and value-creation recommendations that are increasingly expected of CFOs. By consolidating

various functions into a single platform, CFOs gain real-time insights and enterprisewide visibility into the organization's financial health and performance. With streamlined workflows and automated processes, CFOs can focus more on conducting strategic planning and driving value creation, ultimately improving their ability to contribute to the organization's long-term growth and success.

Solutions are expected to focus increasingly on user-centric design to enable the OCFO to evolve into a provider of organizationwide strategic insight. Winning platform solutions will provide additional benefits over legacy on-premise solutions, including shorter implementation times, lower cost and increased scalability. Artificial intelligence (AI) is also expected to fuel ongoing automation within OCFO solutions, although AI-generated efficiency gains will take time to materialize.

Many vendors are exploring adding capabilities across functions within a platform, and several have already started to expand their platforms. For example, Procurify is a procurement and business spending software platform. Recently, it made several acquisitions to facilitate expansion into a full-suite platform for purchasing and spending management services. Similarly, Bill.com is a provider of financial automation software that targets small-to-midsize businesses and has recently undertaken acquisitions in the AR and budgeting/forecasting space, in addition to developing capabilities across payment operations and cash flow management. As the ecosystem continues to evolve, the OCFO 3.0 solutions can build on this frontier to maximize growth opportunities.

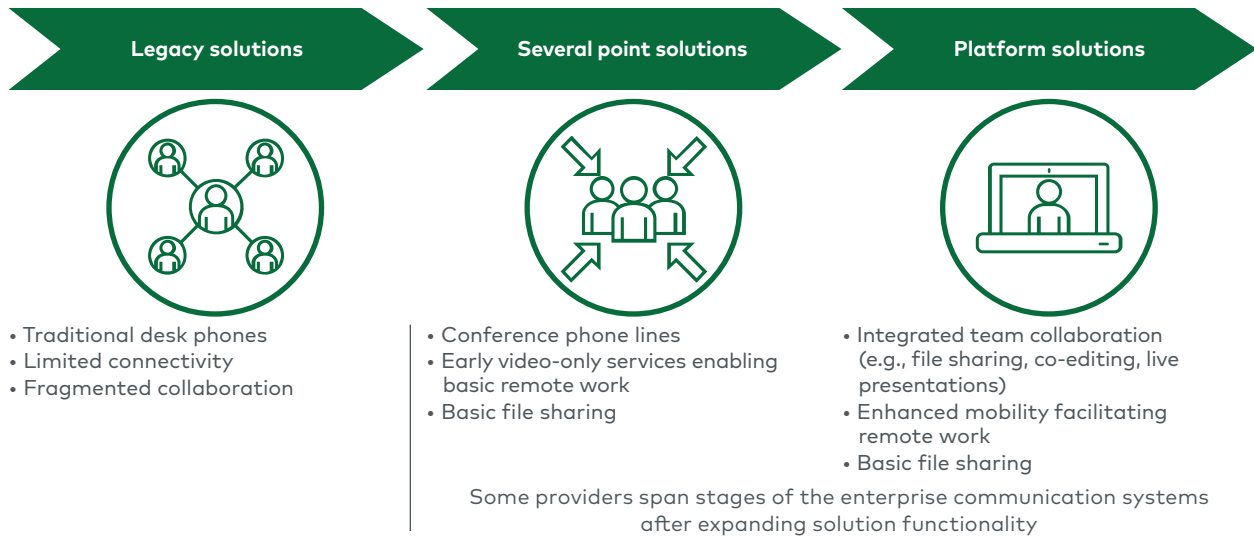
Analogous markets have followed similar paths of consolidation

Other software markets have undergone similar consolidation patterns, and OCFO technology providers can look to these for guidance as to how things might play out. Specifically, in examining the enterprise communication and customer relationship management (CRM) solutions markets, we can see two possible routes to broader platform solutions.

Enterprise communication solutions

These solutions evolved from individual desk phones into integrated communication platforms (see Figure 3). The most successful platform solutions today are not the large incumbents from prior market phases but companies that entered with new capabilities that were so compelling that they could grab market share away from the major incumbents that were not able to innovate their technology to meet the challenge. It should be noted that despite the emergence of platform solutions, very successful and innovative point solutions (e.g., Zoom) continue to find success.

Figure 3
Evolution of enterprise communications solutions

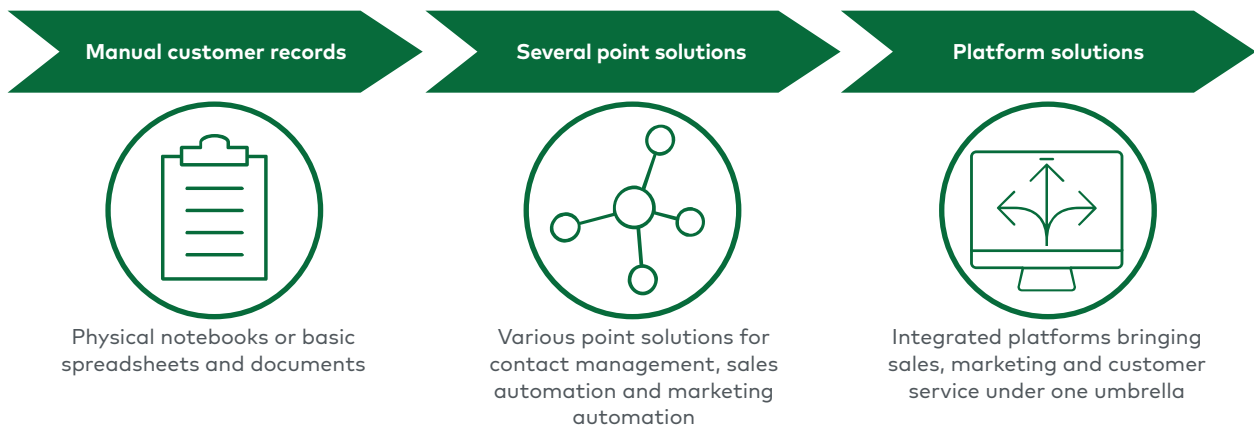


Source: L.E.K. research and analysis

Customer relationship management solutions

Customer relationship management tools developed from traditional manual customer records into integrated CRM platforms (see Figure 4). In this market, leading incumbent point solutions were able to successfully innovate and diversify to become leading platform solutions (e.g., Salesforce). This was achieved through a combination of organic and inorganic product expansion.

Figure 4
Evolution of customer relationship management tools



Source: L.E.K. research and analysis

Only time will tell which path OCFO solutions will follow and whether the large vendors today will be able to successfully broaden their offerings into true platform solutions or whether innovative next-generation solutions will arise to take leading positions.

The market is primed for OCFO platform evolution

The OCFO is becoming more critical for businesses when it comes to financial health and strategic decision-making. As enterprises continue the digital transformation journey, there is a greater focus on tapping into software solutions that augment and support the OCFO's core functions. There are multiple pathways in building out an OCFO platform, with different entry points for CFOs (as well as investors) into the ecosystem.

Both CFOs and investors stand to benefit from this emerging trend. A comprehensive OCFO platform provides businesses with a complete solution to tackle various challenges, promoting efficient operations and sharper insights, particularly as the CFO increasingly supports more-strategic enterprise decisions.

In this dynamic financial landscape, adaptability and foresight are key. Vendors will need to execute a targeted strategy that aligns with core capabilities and interoperability to drive ecosystem engagement. Critical to the platform evolution is a full understanding of the OCFO ecosystem, including the buying behavior — in particular key decision-makers, key selection criteria and the future of the CFO role.

L.E.K.'s extensive experience advising clients in this domain, including in both M&A and corporate strategy, makes us an ideal partner for vendors that are growing and evolving to meet the needs of their current and future clients. If you are interested in discussing how we help companies win in the competitive OCFO market, please contact us.

For more information, please contact strategy@lek.com.

Endnotes

¹Bain Capital Ventures, "Next-Gen CFOs Need Next-Gen Tools to Power Their Organizations." <https://baincapitalventures.com/insight/next-gen-cfos-need-next-gen-tools-to-power-their-organizations/>

²Accenture, "From Bottom Line to Front Line." <https://insuranceblog.accenture.com/wp-content/uploads/2018/10/Accenture-CFO-Research-Global.pdf>

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