

CFO LEADERSHIP TOOLKIT

# Strengthen your finance function and business

# Introduction

To weather this uncertain environment, CFOs must assess the potential impact on their business, continuously adapt their plans and budgets to the evolving situation, and implement systems, tools, and practices to increase agility and visibility.

The steps we recommend in this white paper, designed for CFOs and finance leaders, can provide the foundation for CFOs to strengthen their finance function and their business, weather the crisis, and emerge stronger.

## About the CFO Leadership Toolkit

This is part of AppZen's CFO Leadership Toolkit, to help CFOs prepare their businesses to face increasing economic uncertainty. It was created based on conversations with Coatue Management LLC, a global investment manager focused on public and private companies in the technology, media and telecommunications space.



**Thomas Laffont**  
Co-founder, Coatue Management

Thomas is co-founder at Coatue Management, a technology sector hedge fund that invests in public and private equity markets.



**Caryn Marooney**  
General Partner, Coatue Management

Caryn sits on the boards of Zendesk and Elastic and is an advisor to Airtable. Prior to Coatue, Caryn oversaw communications at Facebook, Instagram, WhatsApp and Oculus.

At the end of last year, CFOs were wrapping up their budgets and preparing their 2020 plans. However, COVID-19 has significantly impacted the global economy and financial markets. The assumptions CFOs made at the beginning of the year have been challenged as social distancing and quarantines, crucial for flattening the curve, have decreased economic activity.

We're now faced with increasing economic uncertainty. No matter what industry your business is in, here are a few ways CFOs can emerge stronger from this crisis to prepare for the uncertain times ahead.

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THOMAS LAFFONT



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## **TAKE AN HONEST ASSESSMENT ABOUT HOW YOUR BUSINESS WILL BE IMPACTED**

As a result of the crisis, certain businesses have been impacted more directly than others, compared to previous recessions that impacted every industry equally. Not every business will need to pull back and cut cash, although that might seem like the first obvious step. The short-term cost-savings may not be worth the long-term damage to the business.

“Before inadvertently cutting muscle and bone in the interest of saving cash, CFOs need to be completely honest in assessing how their business will be impacted,” said Thomas Laffont, co-founder of Coatue Management LLC. “CFOs should ask themselves: What does this particular situation mean for my business? How has this potentially changed our market? How has it potentially changed the relevancy of what we're doing? Layoffs and cutting cash may not be the best strategy for every business. You really need to try and imagine what your business will look like coming out of the crisis.”



*The difference from the 2008 financial crisis is that every business is going to recover at a different velocity.”*

THOMAS LAFFONT



Businesses in hospitality and travel need to make drastic decisions quickly, because their revenue has been severely impacted. Cash is king, so it's crucial for these industries to cut back in any way possible to survive the economic downturn.

For business in other industries, CFOs should assess if their technology or service is even more relevant in this environment. Delivery and e-commerce services, for example, have seen their revenues increase. Other businesses levered to productivity or digital transformation may also be better positioned to weather the storm.

CFOs should look at their peer businesses in comparable sectors around the world for early signs of what may be next. China is already recovering from the initial wave – how are Chinese companies in your industry doing? Can that be a guide for how your business may perform?

“In the financial crisis for example, it felt like everyone was going to have a tough recovery and it was just going to take a very long time,” said Laffont. “Every business thought it would take years to recover. I think the difference here is that every business is going to recover at a different velocity.”

After determining which category their business is in, CFOs will need to continuously adapt their plans to the evolving situation. CFOs no longer have the luxury of spending weeks and months analyzing problems.

Normally, companies establish plans each quarter or year. Now companies need to do multiple plans. The days of creating a plan and sticking to it are long gone. It's critical for CFOs to have a good framework of every possible outcome in order to make the right decisions as the situation evolves. But whatever comes, they'll need to be prepared for the fact that there will be significant societal and economic changes. The new normal won't be like the old normal.

## THE “NEW NORMAL” WON’T BE LIKE THE OLD NORMAL

No one can say with certainty what the post-coronavirus period will look like, but as with every major shock, whether war, depression, or pandemic, many experts have noted that some key dimensions of the pre-crisis economic and social order are likely to be very different. Here are a few:

### Supply chains

Over the past 30 years, supply chains have become much more globalized and efficient, squeezing labor costs and capital efficiency like never before. This efficiency, so good for economic productivity, came at the cost of resiliency and self-reliance across countries and regions, as the current scramble for protective equipment, medical devices, and medicines has made abundantly obvious. Beyond the medical system, crops and milk destined for commercial use have been left to rot or dumped, as the commercial and retail food supply chains have not easily transitioned to reflect buying patterns. While we can't be sure to what extent supply chains will be reconfigured across industries, there's no question that companies of all sorts will be building more resilience into their supply chains and regulators of critical industries will require it, to ensure that pandemic, political, or climate change shocks are less likely to bring down the whole enterprise.

### Taxes

Governments across the world are spending unprecedented sums to prop up shuttered economies, aid the jobless, support health systems, maintain employment, and more. Countries that are used to deficit spending like the US, and those reluctant, like Germany, are inflating their obligations, at least in the short term, to unprecedented levels outside of war. And with a much weakened economy in the next few years and lower employment, it's reasonable to assume that societies and governments will expect large corporations to contribute more to supporting budgets.

### Risk measurement

One failing the coronavirus has laid bare is the market's lack of focus on and pricing for systemic risks to business health. The risk disclosures that reflect companies' assessments of health, financial, political, climate, and other risks will gain renewed prominence, and the metrics and measurements CFOs use to disclose them will be the subject of renewed interest and innovation.

## 3 key ways CFOs can be strategic partners

### 1. Know the numbers – today

Be prepared and be accurate. That also means having the right tools to make accurate and very up to date assessments.

### 2. Have an agile frame of mind

The situation is continually changing. Yesterday's decisions might not be today's. Plan in real time, rather than setting a plan and sticking to it.

### 3. Create iterative budgets

Executives and boards need budgets that can be computed and iterated much more quickly. CFOs need to make sure they can accommodate these requests and adapt the budget quickly.

## HAVE THE RIGHT SYSTEMS AND TOOLS

We're in an entirely new situation where understanding the numbers is more difficult. In today's environment, CFOs need visibility, control, speed, and flexibility. Those were nice-to-haves in the finance organization before, but now, they are must-haves.

Spend visibility is more significant now than ever, as the spend environment becomes more complex. As companies transition over to remote work, how many teams have gone out and bought video conferencing licenses, home office equipment, or productivity software? Having control and visibility over spend is more important than ever.

Flexibility is critical as well. One example is that your company's travel and expense policy may need to be more fluid to help aid your employees' productivity at home. In a rapidly-changing environment, a one-size-fits-all policy might not make sense.

"CFOs may need to budget for different business expenses in light of the new environment as well. CFOs have a remote workforce now. CFOs need to rethink their plans and plan scenarios in ways they've never had to do before," said Caryn Marooney, General Partner at Coatue Management.

"Businesses need to have flexibility and visibility in ways they've never had before. There's an entirely new breed of expense, the expenses for what the remote workforce needs – some is legitimate, some isn't. Understanding the difference in real time is critical. CFOs need the ability to understand what they'll be spending on in the future, as well as understand new expenses they may not have had before. So before they communicate the numbers, they should take a step back and understand them."



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CARYN MAROONEY



## About AppZen

AppZen delivers the leading AI-driven platform for modern finance teams. The AppZen Platform is built on 7 years of learning from thousands of online sources, thousands of customers and billions of financial documents and transactions like invoices, contracts, expense and accounting data. Starting with business spend, we automate manual process, uncover problems and optimize decision making at scale for finance organizations around the globe, including one-third of the Fortune 500. The AppZen Platform combines patented computer vision, semantic analysis, and deep learning to understand financial transactions in business context and make decisions before those transactions happen. It is a must-have for CFOs and their teams to comply with policy and regulations, streamline process, and reduce spend.

Over 1,650 enterprises have standardized on AppZen, including four of the top five banks, four of the top ten media companies, four of the top ten pharmaceutical manufacturers, two of the top five aerospace companies, and six of the top ten software providers. Visit us at [www.appzen.com](http://www.appzen.com) and follow us on Twitter @AppZen

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