



## **The evolving role of the chief financial officer: From accounting to accountability - by Nadine Cino**

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The role of finance leadership is evolving, growing beyond accounting into the realm of accountability for creating value. A most impactful factor in this evolution of leadership and value creation is the power of “connectivity” flowing from the Internet of Things (IoT). According to Business Intelligence, the IoT is anticipated to be “the future way businesses, governments, and consumers interact with the physical world.”.

With a predicted spend of nearly \$6 trillion on IoT solutions over the next 5 years, businesses are expected to become “The Early Adopter.” Accordingly, CFO’s will more frequently be called upon to understand the ramifications of IoT technologies, and to help develop smart, enduring business strategies which create value along a continuum of economic, social and environmental considerations.

Value from the IoT of connected things comes from mining the generated data and using it for important applications that can be repeatedly monetized. In this sense, enduring value is derived from the data becoming the operational currency of a company, particularly as the company undergoes transformation in response to the IoT.

Energy management is one such operational currency with the power to transform a company. For example, in commercial buildings, connected devices and integrated energy management systems generate data that is crucial for reducing heat or cooling in underutilized zones, or adjusting lights when offices or spaces are empty. In each of these scenarios, having real-time data from devices and developing the proper response has enduring value. 1

Another way in which an IoT energy strategy generates enduring value is with respect to the recent push to set science-based carbon reduction goals, such that an increasing number of companies are focused on utilizing 100% renewable sources of energy. In her evolving role, the CFO will be expected to understand Power Purchase Agreements (PPAs), Virtual PPAs, and Renewable Energy Certificate (RECs), which speak to the classic financial role of risk mitigation and operational cost reduction, whilst concurrently speaking to the new expanded role of leadership, and for her to be knowledgeable of predictive modeling tools which can help her company understand natural

resources such as water which may be impacted over the life of a PPA, with the goal being that energy is procured at the lowest possible price and is balanced with extracting the enduring value of such procurement in terms of its impact to society and the environment.<sup>2</sup>

At the 34th Biannual AHC “Achieving Results” Workshop in Saratoga Springs, founded and led by Bruce Piasecki, the evolving role of the CFO from accounting to accountability was well developed in the case studies presented from Fortune 100’s.<sup>3</sup>

Moving beyond siloed technologies, ongoing digitization efforts across industries are laying the foundation for dynamic platforms that recombine technologies and services and provide many new opportunities for growth and enduring value.

A tool manufacturer relayed how they used the connectivity of the IoT to help them transform their business from a transaction-based consumption model (“customers buy tools”) to a subscription-based recurring revenue model (“customers buy data about the tools”) by providing “Tools as a Service.” Real-time and predictive data was provided to their customers about their tools, and the manufacturer created enduring value, helping its customers to increase productivity and reduce downtime due to maintenance and/or other predictable malfunctions, having harnessed the power of connectivity of the IoT. Additionally, they are now considering offering “ToolUse as a Service” which would allow their customers to retain tools at their location on a long-term basis, and pay for the tool based on each time they use it.

Changing customer needs, evolving policy and regulation, and accelerating technology innovation and integration will drive the creation of dynamic business models, as a result of which Navigant predicts a \$1.3 trillion market opportunity across the energy cloud ecosystem by 2030<sup>4</sup>, which brings us right back to our starting premise about how the role of the CFO and finance leadership is evolving, growing beyond accounting into the realm of accountability for creating value.

Footnotes:

1. <http://www.rechargenews.com/solar/1198631/the-internet-of-things-is-an-enormous-opportunity-for-renewable-energy>
2. <https://www.energysmart.enernoc.com/practical-guide-renewable-energy-terms-what-are-ppas-virtual-ppas-and-recs>
3. <http://www.ahcgroup.com/>
4. <https://www.navigant.com/news/energy/2016/navigating-the-energy-transformation-pr> and <http://www.businessinsider.com/top-internet-of-things-trends-2016-1>

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