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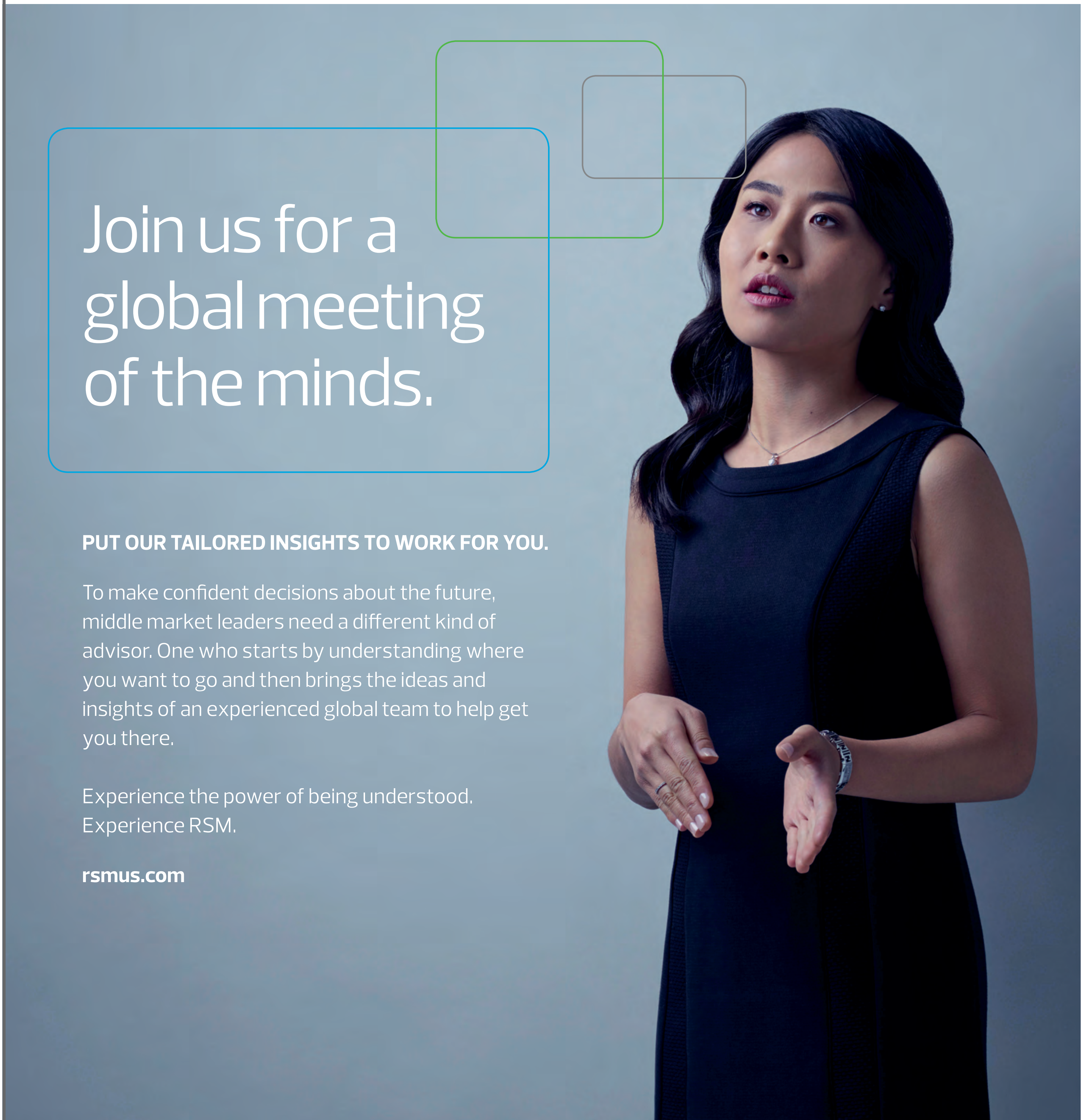
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The Data-Driven CFO: Leveraging Data and Analytic Insights to Drive Outcomes

In today's digital ecosystem, CFOs can extract a significant amount of enterprise value from data, assuming that it can be turned into meaningful insights and measurable actions. However, many CFOs struggle with one key issue: their organization's data is neither reliable nor complete enough to drive consistent results.

DATA CHALLENGES CFOS FACE

Today's CFO faces critical challenges in harnessing data.

• ***No single system constitutes the complete source of financial truth***

While the notion of a "single source of truth" is important, CFOs understand that it is the aggregate of an organization's numerous financial systems that comprises that holistic information factory (e.g., data warehouses, big data lakes, analytical tools, etc.).

• ***CFOs serve a diverse set of constituents who expect timely, accurate reporting and analytics***

As the central hub for data, the office of the chief financial officer (OCFO) must ingest and work to integrate information from every corner of the enterprise in order to generate period-end financial reporting and analytical needs for business users. These constituents expect quality data with attestation level commitment, such as key performance indicators (KPIs), time horizon analysis, summary reporting, and visual formatting to drive decision making.

• ***The burden of poor data quality as it rests on finance***

Without proper technology, savvy finance specialists are forced into positions of technical "clean up" experts who spend countless hours locating data across disparate systems and transforming data in spreadsheets to achieve accuracy and integrity.

• ***Economic uncertainty***

When economic disruptions occur, the CFO is front and center in re-planning and adjusting enterprise resources. Often these disruptions come with very little warning and occasionally, every eight to ten years, they pack an enormous punch. Today, a global pandemic is reeking recursive economic impact that requires daily decisions over cash flows, budgets, and investments. CFOs are required to continually adjust every aspect of their firm's financial position as the disruption lingers.

THE DATA EMPOWERED CFO

While CFOs face significant obstacles in their quest to harness and optimize vast volumes of financial data, they are also in the perfect position to empower their teams to enhance the overall data culture of the organization. Data Empowered CFOs drive results through several important actions.

• ***Instilling leading practices and benchmarks to measure business performance***

By executing constant improvements in operations, controls, automation and analytics, CFOs provide the enterprise with essential reporting targets to help identify critical operational data and analytics requirements that drive the finance operations forward.

• ***Attracting and maintaining high-performing teams***

CFOs have an ability to appeal to, develop, and leverage high-performing teams in challenging conditions. Data driven financial analysts can enforce business and financial logic in complex environments to produce reliable results.

• ***Empowering teams to build analytical models that impact mission-critical decisions***

The data-driven CFO invests in analysts and technology to create models that can clearly and efficiently forecast outcomes of decisions in ever changing conditions. Business insights are gleaned to forecast performance.

• ***Engraining business agility as the center of the organization's financial hub***

Business agility is the way the OCFO predicts, responds to, and adjusts the financial balances of the enterprise in real time with significant economic disruptions. The CFO drives financial agility through timely and authoritative data-driven views of enterprise conditions and external forces.

> By taking incremental steps toward achieving a higher quality, digital business environment, the CFO evolves the data literacy of the entire organization.

CFO DATA LEADERSHIP FOR THE MODERN COMPETITIVE LANDSCAPE

The reality is that all CFOs are in fact data-driven. The differentiator is the CFO's ability to engage in solutions that generate more authoritative, timely data. By taking incremental steps toward achieving a higher quality, digital business environment, the CFO evolves the data literacy of the entire organization. If data is the driver for the CFO, then these insightful leaders need the highest value, most readily consumable fuel to propel the data agenda forwarders.

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How to Have a Successful Business in the 2020s

Hybrid work options and meaningful mentoring opportunities as the latest must-haves

By ELSA R. BURTON

For many companies, 2022 presents an opportunity to grow their business with new customers, new sales channels, and new markets. But one of the greatest challenges they face in achieving rapid growth is attracting, motivating, and retaining skilled employees.

Achieving employee satisfaction may prove key to achieving a company's full growth potential. And, to do that, leaders must attract and keep talent. In a survey of middle-market company executives released early in 2022, the human resources consulting company AchieveNext found that hiring, training, and keeping employees was the top challenge faced by company leaders. A particular issue: retaining employees with technical skills. Only 7% of respondents said that it was easy to keep high-demand technical workers on the payroll.

SIZE AS AN ADVANTAGE

In its recently released Future of Work report, the recruitment and consulting firm Korn Ferry noted just how much the dynamics around attracting and retaining workers have changed as a result of COVID-19. "Employees are now starting to ask very human questions about the work they perform," the report said. "Organizations should consider all the levers they have available to them for building and strengthening relationships with individual talent."

Small and mid-sized companies have inherent advantages when it comes to forging the personal relationships that so many employees seek today. For example, leaders and managers should use the fact that they have smaller staffs to promote mentoring opportunities and access to a company's top executives. That means institutionalizing mentoring programs by encouraging and facilitating mentor-mentee pairings and making it easy to set aside time for people to meet.

CAREER PLANNING

Another way leaders of mid-sized companies can take advantage of their size is by taking a personal role in developing and monitoring the career progression of their employees. A survey of 2,000 employees at medium and large companies conducted last fall by the people management platform Lattice explored the reasons so many workers are dissatisfied with their jobs and looking for new opportunities. Some 54% of respondents said they were actively looking to change jobs.

About one-fourth of those surveyed said a lack of mentorship was fueling their job restlessness. A nearly equal amount cited a lack of clarity about their career progression as a reason to look for new opportunities.

Potential ways to bolster career path transparency include collaborating with employees to develop a growth plan. The plan should include specific timelines and objectives and be revisited routinely to track progress and celebrate (with or without a financial reward) when workers reach goals.

HYBRID WORK AND FLEXIBILITY

During the many variants of COVID-19, work flexibility morphed from a perk to a necessity. Pollster Gallup reported that 45% of full-time employees in the U.S. worked at home at least part of the time. Nine out of 10 workers surveyed by Gallup also said they wanted to continue working from home at least a few days a week after the pandemic ends.

Figuring out ways to simultaneously provide flexibility about when and where employees do their work and effectively managing hybrid teams is a challenge leaders must navigate quickly. LinkedIn's 2022 Global Talent Trends report found that employees are 2.6 times more likely to be happy in their jobs and 2.1 times more likely to recommend their employer to others if they feel as though they have sufficient flexibility to determine their work times and locations.

A HYBRID WORKFORCE DEMANDS A DIFFERENT LEADERSHIP APPROACH

The demand for flexibility has profound implications for company leaders. Recent research by Gallup revealed that about 60% of workers want a hybrid model, with the majority preferring two to three days per week in the office.

In its 2022 Global Talent Trends report, LinkedIn lays out the challenges of shifting to a hybrid work environment and provides insights about how to manage it effectively. "Establishing an effective hybrid workforce requires careful planning to ensure that remote employees remain productive, feel connected to their coworkers, and are treated equitably," it said.

Among the measures companies should consider to maintain employee satisfaction:

• **Bolster remote work leadership skills.** As more employees spend an increasing amount of time working from home, managers need to adjust their approach to maintain worker morale and productivity. When employees are working at home, it's especially important to be transparent about productivity expectations, deliver frequent feedback and customize their approach to take into account employee personalities.

• **Pay special attention to culture.** The natural bonding and camaraderie that takes place within office walls can be inconsistent when teams are hybrid. To consistently reinforce important social connections, LinkedIn suggests holding routine virtual events that everybody can join. These can feature guest speakers or opportunities to socialize with colleagues that create a shared non-work experience for employees.

• **Train your managers.** With so much focus on keeping workers, it's helpful to understand why people quit and the role managers play in retention. A recent study published in MIT Sloan Management Review revealed that a toxic corporate culture was the main reason employees left their jobs. "The best thing you can do for managers in 2022 is to develop them for the [hybrid workplace] environment they face," Gallup said.

One of the main takeaways from recent years is that disruption and uncertainty will continue to impact how companies recruit and retain workers. What won't change is the importance of talent in the success of any company, especially mid-sized companies. Labor shortages and changing expectations among employees mean that business leaders who want a thriving company should give top priority to how they and their organizations engage with employees.

Elsa R. Burton serves as Los Angeles Regional Manager for Fifth Third Bank. Learn more at 53.com/Commercial.

Thank you, Los Angeles

Over the past several years, the number of Americans on a waiting list for a lifesaving organ or tissue has decreased by 10%. These numbers are a testament to those who say "yes" to donation and is a **wonderful demonstration of the generosity** of all of those who help to make the gift of life possible.

It also reflects an increased understanding that **donation is really about life,** not death, as the act of donation is a lasting way to honor a loved one's memory. Our thanks go out as well to donor hospitals and staff who, despite the current pandemic, have been incredible in continuing to recognize the importance of enabling donation and in fulfilling the wishes of the donor patient.

While we rejoice in the decline, **there is still a lot of work to be done**. More than 100,000 Americans are still waiting to receive a lifesaving heart, liver, lung, kidney and/or pancreas; and tragically, 17 Americans die needlessly each day while waiting for a second chance at life.

The opportunity to donate and to receive a lifesaving transplant knows no sexual orientation or age and has no national, ethnic or religious boundaries. **Please join in this effort** and help save a life by registering to be an organ donor at **onelegacy.org/register** or at your local DMV.

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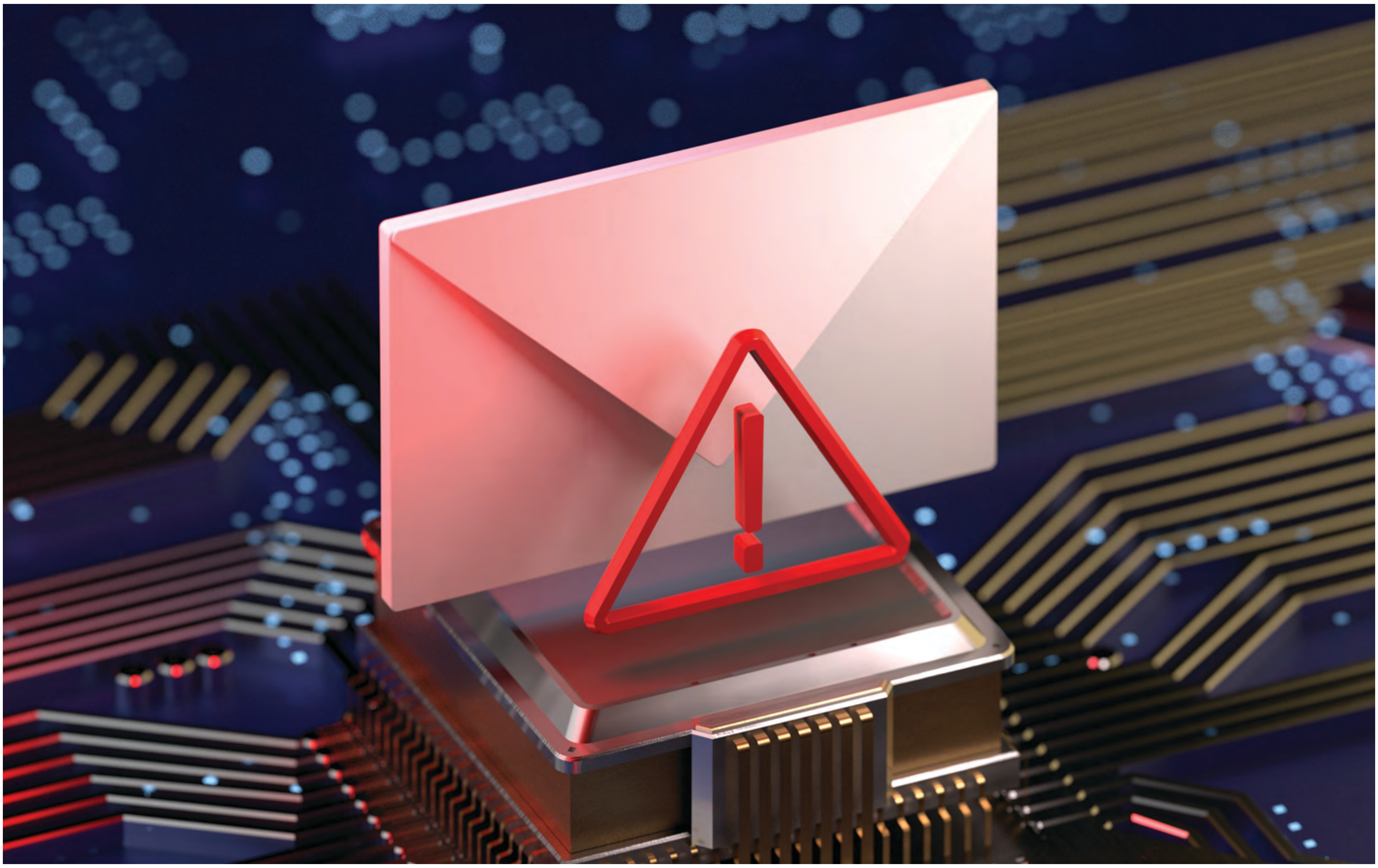

Crime, Geopolitical Instability and Business Email Compromise

By ASH KHAN

The war in Ukraine—and the entire geopolitical situation in general—has altered the cybersecurity landscape. While most people probably think of fraud as something that affects their finances, the reality is even more far-reaching.

Fraud is not just about your business losing money; the downstream impacts can be devastating. The funds taken from cyber fraud schemes are often used to pay for hostile and unsavory acts such as wars, terrorist attacks, organized crime and human trafficking.

Fraud is the endgame, but business email compromise, or BEC, is often the starting point. And company executives may be leaving their companies—as well as their families and themselves—much more vulnerable to attack than they think.

HOW BEC WORKS

BEC involves a comprehensive attack in which a bad actor takes over or spoofs a business email account in order to initiate fraudulent transactions. Typically, the fraudster sends an email message that appears to be from a known source making a legitimate request.

While fraudsters often target companies, they can also target specific individuals, including top executives and rank-and-file personnel in key positions. Business leaders are prime targets because of their positions and their authority to compel others to fulfill a request. In fact, any employee can be a target. People in accounts payable roles, for example, can be especially vulnerable as they're the ones responsible for executing payments.

Fraud is a full-time job for criminals. They'll conduct research about their targets—including studying their social media behavior to learn more about them and their habits—and then determine the right time for an attack. They're also patient and diligent, willing to lurk within a company's systems for months (or longer) until they spot their opportunity to strike.

Once they obtain funds, typically they are taken off the grid almost immediately. The money they steal is often funneled through cryptocurrency exchanges or through foreign financial institutions. By the time you notice money has disappeared from your ledger, it's likely untraceable. Also, because these crimes originate in your company's (or your personal) email system, your bank can't monitor activity for warning signs. Bank mitigation fraud tools can monitor for financial irregularities, but that may be after the money has disappeared and is no longer recoverable.

PROTECTING YOUR COMPANY AND YOURSELF

While BEC is an insidious crime, there are some fundamental mitigating measures companies and individuals can take to protect themselves, such as implementing two-factor authentication and following documented processes and thresholds for email payment requests. Importantly, when it comes to safeguarding your company, it's also crucial to safeguard your personal information.

Executives often post information about their personal lives online, and criminals will leverage what they discover about an executive's family to facilitate their crimes. Even something as seemingly innocuous as naming your family members in your company bio can provide an opening for fraudsters to exploit. Ultimately, being cautious about what you share online can help protect both your family and your company.

While it may seem like hyperbole, you're also helping to protect society at large. While falling victim to a BEC puts your company's finances, systems, data and reputation at risk, it has an impact beyond your organization. The world order is changing, and global cybersecurity concerns are evolving and increasing. A single compromised email could lead to a fraud scheme that bankrolls a devastating global event. Given the stakes involved, combating fraud is every company's and every employee's shared responsibility.

Fraud is the endgame, but business email compromise, or BEC, is often the starting point. And company executives may be leaving their companies much more vulnerable to attack than they think.

Ash Khan serves as head of enterprise fraud management for the Financial Crimes Unit of BMO. Learn more at commercial.bmo.com.

We're thrilled to know that the LA Business Journal and its readers recognize what we and our clients have always known. Kathryn Browne is not only a consummate CFO, but her insights and innovations have pioneered new processes and procedures—improvements that have reached beyond our own agency operations to positively influence and impact our clients' businesses as well.

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Applied Fintech: A Rorschach Test for Every Industry, Every Discipline

By CHANDRA SUBRAMANIAM, PhD and ROBERT J. SHERIDAN

"It's more about marketing than it is about finance."

A student assistant at California State University, Northridge's (CSUN) David Nazarian College of Business and Economics gave that answer to explain what she had learned during a research assignment on Fintech applications. She's a marketing major. Her classmates in supply chain management, accounting, business law and ethics, information systems, or yes, finance, would have recognized their own passions and ambitions looking at the same data through their chosen lens.

In that sense, Fintech applications are like Rorschach Test ink blots. They provoke diverse interpretation and jolts of aspiration from any perspective.

To appreciate why, let's consider the enabling technologies, the market solutions, and some emerging themes as start-ups, unicorns and industrial giants alike accelerate their investments and strategic commitments.

ENABLING TECHNOLOGIES

A half-dozen discrete technologies drive the Fintech phenomena, built atop a global infrastructure of seemingly infinite, fast and inexpensive capacity for teleconnections, cloud processing, and data storage. But what was "seemingly" evident during this build-out, looks less so now. War, climate change, natural disaster and political inertia have crashed the paradigm, especially regarding the costs and reliability of electrical power and global supply chains.

That notwithstanding, the technologies that enable Fintech are here to stay: blockchain, cryptology, artificial intelligence (AI), machine learning, the Internet of Things (IoT), robotic process automation (RPA), and natural voice and facial recognition.

Most readers have some familiarity or experience with these technologies, so with one exception, we won't dwell on them here. Blockchain deserves some special attention because it has reached an inflection point, and because in some circles, that single technology and its derivative solutions have become synonymous, almost conversationally interchangeable, with "Fintech."

We refer to the world of cryptocurrencies, decentralized autonomous organizations (DAO's), NFT's, smart contracts, and generalized visions of DeFi and Web3 that anticipate displacing sovereign currencies, international monetary protocols and any form of centralized regulations.

To be sure, blockchain technology presents a profoundly disruptive force for monetary and capital market innovation and the transformation of contracts, supply chains, transactions, financial and investment services, and payment systems. Yet, there is an increasing recognition that the true economic utility of blockchain technology has become lost amid esoteric applications, speculative flurries, and unwarranted grandiosity.

So it's good to know that people like Silvio Micali are working hard to ensure that the blockchain baby doesn't get thrown out with the bathwater.

In a recent interview with the Los Angeles Times, this MIT professor and A.M. Turing Award winner sounded resigned and rueful when admitting, "First of all, we can't stop people from speculating." He then turned feisty in articulating the distinctions and mission of his new blockchain, Algorand. It features an operating model with random selection of users to effect proof-of-stake methodologies. It's fast, secure, reliable, and economically and environmentally sustainable. More importantly, it's focused and purposed on first principles – to run sophisticated transactions at massively high volumes.

He sounds ready for the battle: "We are at a very unique moment in which there are extremely sophisticated blockchains like ours … and very early generation blockchains who continue to be there … it's like … Neanderthal Man and Homo Sapiens living together."

We should cheer Dr. Micali. To reach its full potential, the Fintech market solutions we describe below will need focused blockchains to segment assets, run transactions, maintain immutable records, authenticate and effect payments, and establish the provenance of the goods, services and assets that flow through them. Blockchains so constructed and purposed represent a central utility of the Fintech movement.

Blockchain is not the only technology that should be considered a Fintech "utility." Indeed, when the discreet technologies we've mentioned are combined, these utilities become organized as a Fintech ecosystem. When market solutions then begin to form around themes or categories, we have "Applied Fintech," and that's when those ink blots start to jump off the page to excite the imagination.

MARKET SOLUTIONS

"Market solutions" should not be confused with products and services. Rather they are themes and categories that transcend industries, around which firms and innovators can address markets in previously unimaginable ways.

• **Mass Personalization –** combines AI and machine learning to create and target a "market of one for everybody," with product and service offerings based on preferences expressed and implied in the data trail of each life lived.

• **Embedded Finance –** wraps product design and delivery with integral credit underwriting, finance, insurance, warranty, payment processing, servicing, upgrading and replacement as a single and perpetual "service model" transaction. Its ambition turns every product sale into a long-term service relationship. The value proposition for customers includes convenience, an end to product obsolescence, and single payment bundling. For companies, it consolidates the value chain under their roof, captures proprietary customer data, ingrains customer loyalty, and drastically reduces cart abandonment at the point of sale.

• **Asset Fractionalization –** applies hyper cost and operating efficiency, predictive modeling, mass personalized targeting, and secure and accurate tracking of ownership provenance with blockchains to expand the market and the delivery of sophisticated products and services heretofore enjoyed solely by institutional entities or high net worth individuals.

• **Autonomous Finance –** displaces the burden on individuals to research and make decisions on complex and disparate elements in the acquisition and maintenance of holistic full-life assets, event-based life passages, and life-affirming passions and aspirations. Full, discretionary authority to decide and execute such decisions is assigned in a "one payment model" to profile-driven and AI-powered bots for combinations of financial, retirement, educational and career planning; health and wellness services; housing, transportation, travel and recreation; and, personal budgeting and expenditures.

• **Money as Software –** turbo charges the current reality that much of the world's money supply is effected in "lines of code." It propagates decentralized, blockchain-based cryptocurrencies; central bank governed digital currencies, coded-money with restricted fungibility for specialized purposes and accounts; cashless point-of-sale finance; and, institutional money movement redesign.

SOME EMERGING TRENDS

• **Predictive modeling** will be the source code for Applied Fintech solutions. It will drive product and service design, and precisely target their delivery to customers in "real-time of need."

• **Reducing Friction** is the essence of Applied Fintech. It runs throughout, from the identification and targeting of markets and customers to vast innovation on payment systems. It also takes the form of disintermediation, eliminating or supplanting suppliers, brokers, intermediary service providers and regulatory and compliance regimens across B2B, B2C and Peer2Peer transactions.

• **Hyper-automation** permeates the value chain of transactions, back-office operations, customer service, problem solving, crisis management, compliance and reporting. This portends dramatic cost reductions, and profound consequences for workforces in both scale and required skills.

• **Marketplace Ironies** attend the democratization in the distribution of valuable goods and services to mass and/or previously underserved markets on the one hand, with evermore extreme consolidations, concentrations and imbalances of wealth and power among capital and labor markets on the other.

• **Diversity, equity and inclusion** will be a core competency of any organization focused on democratizing products and services for mass distribution to previously underserved markets and communicating them to digital/mobile natives.

• **Emerging Markets** are leading the way in the societal acceptance and scaled market utilization of some of these market solutions, especially in Asia and Africa - not the least because there are fewer entrenched incumbents to displace and the customer appetite for digitized services lies not in underserved markets, but in never-served ones.

• **Strategic alliances** between large companies and entrepreneurial firms will proliferate. The former bring substantial balance sheets, vast troves of proprietary data, and amply resourced incubation capabilities; the latter offer disruptive perspective and cutting-edge talent in a rapid-cycle world.

At CSUN's Nazarian College we're undertaking new initiatives and programs to ensure that our students embrace the challenges and opportunities of Applied Fintech's promise. The thrust will be to balance the academic rigor of traditional disciplines for grounding and context, with a common core of skills-based certifications.

Our goal is simple – to turn ink blots into prisms to display the full rainbow of Applied FinTech's promise and to inspire our students to seize the opportunities at any point along the spectrum.

Chandra Subramaniam is the dean of the David Nazarian College of Business and Economics at CSUN. Bob Sheridan serves as executive director of its Career Education and Professional Development Center. Learn more at nazarian.csun.edu.

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How CFOs Can Future-Proof Their Businesses

CFOs wrestle in real-time with many competing priorities, yet they're often primarily responsible for the decisions that determine the long-term success of their companies. Withum Partners, Chris Passmore, Kevin Holmes and Aza Ghazaryan look at five key markers that help CFOs anticipate the needs of their businesses to position them for future success.

THE ROLE OF A CFO

"CFOs are the catalysts at the point where strategy, decision-making and implementation merge," said Passmore. "What we see in successful CFOs is the impact of their actions on all business operations, including those outside their immediate financial obligations such as marketing, talent management and customer service. We recommend that CFOs focus on the following areas to help future-proof their business."

TALENT AND CULTURE MANAGEMENT

The pressure to hire and retain talent revolves around investing in people and their technology and tools. Businesses should plan for compensation above the norm and initiatives to foster team building and a balanced work-life integration. CFOs must defend the spending necessary to develop and sustain an attractive culture, build and keep a talent pipeline, train better than competitors, invest in career development, and implement an integrated technology stack.

EFFECTIVE CYBER AND DATA SECURITY

The threat of cyber hacks and data breaches is a ghostly line item on a CFOs balance sheet. The costs stemming from downtime, reputational damage, remediation, and enforcement, mean CFOs now play critical roles in developing business continuity policies and incident response strategies. Threat assessments, mitigation strategies, systems hardening, and the technologies that enable these services, are expensive ever-growing costs that require accurate forecasting in a highly-connected business environment. Therefore, cybersecurity is a business imperative.

INTELLIGENT PROCESS AUTOMATION IMPROVEMENTS

Intelligent Process Automation (IPA) is Business Process Automation (BPA) with an artificial intelligence (AI) component. It combines advanced tools and Robotic Process Automation (RPA) into one business capability, which CFOs can implement to streamline their daily tasks.

Holmes explained, "We see CFOs automating complex processes, like expense accounting, throughout enterprises. The benefits of IPA include fewer errors, reduced time, integrated apps and consolidated in-house and cloud-based data. The uptake of these new processes can be uneven, so the CFO must stand behind the investment in AI-enabled BPA and stay the course."

BOTTOM LINE IMPACT OF ENTERPRISE SUSTAINABILITY

Environmental, social and corporate governance (ESG) is a trending priority for businesses as the adoption of worldwide ESG standards gains traction. There is strong evidence that effective ESG strategies reduce employee turnover while improving public perception of the company and stock prices, creating positive impacts on companies' bottom lines. Numerous stakeholders, including shareholders, vendors, investors, bankers, customers and community members, seek meaningful and transparent sustainability and impact reports from companies.

TRANSACTION READINESS

When it comes to mergers and acquisitions, it is impossible to overstate the importance of the CFO's role.

Ghazaryan remarked, "The process of positioning a business for a sale or acquisition starts with pre-bid advisory and preliminary due diligence and moves on through the stages of synergy and cost analysis, and quantifying valuations. Deal terms, financing, execution, succession, and post-merger integration all follow, and all are in the CFO orbit. For startups and IPOs, additional financial reporting demands include forecasts, financial statements and audits. When exploring M&A opportunities, CFOs must work with their accountants to ensure transaction readiness, anticipating the perfect deal."

WHAT'S AT STAKE

CFOs play a pivotal role in their company's future and should integrate talent management, cybersecurity, automation, ESG and transaction readiness goals into their purview. This shift in focus on financial responsibilities will help future-proof the business by reducing long-term costs and employee turnover, preventing reputational damage, and keeping the company ahead of the competition regarding product development and customer service.

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LOS ANGELES BUSINESS JOURNAL
CFO
2022 AWARDS

Think You Don't Qualify for the Employee Retention Credit? Think Again.

By GABRIELLA DEL GRECO

The COVID-19 payroll relief bill can generate up to millions in refundable tax credits, yet many businesses hesitate to apply. At R&D Incentives Group, we've helped over a thousand businesses qualify and generate anywhere from 20k to 4 million in cash refund checks from the ERC.

Many CFOs who received payouts did not initially think they qualified for the credit because a basic assessment of their financials did not reveal the range of COVID-19 related impairments. However, after doing more exploration internally through their VP or Head of Ops, these CFOs found that there were many challenges their operations went through due to COVID-19.

Here are three common misconceptions we've heard, and why they're wrong:

"I don't qualify if my revenue never went down."

Some CFOs were surprised to learn that a decline in revenue is not needed to qualify for the ERC credit. Businesses can also qualify for the credit if a portion of their operations were affected by government mandates by more than a nominal amount. Through this criteria, businesses that didn't experience a decline in gross receipts or even experienced an increase in gross receipts, can still qualify for the credit if they show that a significant "nominal portion" of their business was impaired, changed and/or curtailed by government orders. That significant portion only needs to be 10% of the entire business in terms of revenue or hours worked during the pre-covid 2019 period. In addition, businesses must show that they experienced some reduction in their ability to provide their goods and/or services due to government mandates.

At R&D we recently helped a manufacturing company qualify for the ERC credit based on impairment related to social distancing. Only the warehouse department was affected by social distancing orders, but since over 10% of employees at the business worked in the warehouse, that qualified them under the "nominal portion" criteria. Then, we just had to show that social distancing mandates caused the warehouse department to decline in productivity by over 10%, proving that government orders had more than a nominal effect on the firm's operations. This qualified the business for the ERC, and as a result they received over $3 million in cash refunds.

"I don't qualify if we stayed open."

Businesses that didn't shut down and remained open as essential businesses are also still eligible to receive the ERC. There are two methods through which a business that didn't shut down during the pandemic can still qualify for the credit. The first is through a decline in gross receipts. If a business experienced a decline in gross receipts of over 50% in 2020 or over 20% in 2021 compared to the same quarter in 2019, it can still qualify for the credit, whether the business was shut down or not.

If the entire business did not shut down, but parts of it did: e.g.: You own a restaurant that normally serves both in-person dining and takeout, and during the pandemic you shuttered in-person dining but remained open for takeout, you can also still qualify for the credit.

"I don't qualify if I received PPP"

Another misconception is that businesses which received PPP loans are not eligible to qualify for the ERC. This is another case of changing IRS regulations which expanded the ERC program significantly. In 2021, the ARPA and CAA allowed all businesses who received PPP to retroactively claim the ERC credit. This means that you can still qualify for the credit if your business received PPP in 2020 and/or 2021. At R&D, our team of experts will analyze your PPP loan to figure out how best to maximize your credit.

If you think there's even a chance you may be able to qualify, you should consult with a firm that specializes in the ERC credit. An experienced and reputable firm will be able to talk you through all possible avenues of eligibility, leading you to an educated result that you can trust. Remember: If your business was affected by COVID-19 mandates at the federal, state, or county level, you should consider exploring whether you qualify for the Employee Retention Credit.

We've helped manufacturers, restaurants, non-profits, schools, food distributors, home health care agencies, construction companies, law firms, engineering firms, consultants, service providers and more qualify for the ERC, and generated millions back in the form of cash refunds. If they can do it, why not you?

Gabriella Del Greco is a project associate and technical writer at R&D Incentives Group. Learn more at rdincentivesgroup.com.

LOS ANGELES BUSINESS JOURNAL
CFO
2022 AWARDS

Insecurity of Everything: Where Cybercrime Money Goes

If you've ever lost money to a computer crime, or done business with an entity who paid a ransom or lost a wire of funds to fraud, you may have wondered where the money went. The answer is complex: to many far flung corners of the world, or right in your own backyard, invested in frozen chicken, expensive cars or rogue nuclear weapons programs. When you know, however, the consequences of this fraud, it can be one of the most motivating factors in creating the best cybersecurity program you can have.

FROM THE FINANCIAL HEART OF THE WORLD TO ALL CORNERS

Recently, at the Fordham University/FBI International Conference on Cyber Security (ICCS), Kate had the pleasure of moderating a panel with the Hon. Damian Williams, U.S. Attorney for the Southern District of New York; and Carolyn Pokorny, First Assistant U.S. Attorney for the Eastern District of New York. Combined, these districts include the five boroughs of New York City, as well as huge outer suburbs of that metropolis. As the world center of the financial services industry, it's ground zero for cybersecurity crime.

The discussion was wide-ranging, but one topic of critical interest to local businesses was the idea of where the money lost to cybercriminals goes. The prosecutors characterized this money trail as something that should be a motivating factor for businesses, especially on "cyber hygiene," aka those basic security practices that – when executed correctly – stop the vast majority of attempted wire frauds, ransomware attacks or ATM cash-outs, among other problems.

We wholeheartedly agree with this assessment. In one case, Pokorny discussed the exploits of a man who called himself "the King of Fraud," a moniker that made him easier to prosecute, she said. Alexander Zhukov was convicted of running a $7 million scam known as "Methbot," which created "bots" that tricked websites including those belonging to The New York Times and The Wall Street Journal into appearing as if millions of people were reading ads when they weren't.

In the Zhukov case, proceeds from the scam were re-invested into yet more fraudulent businesses under the guise of advertising services, a common tactic used by cybercriminals, emphasizing the proceeds of these crimes just lead to more crime. Zhukov and his co-conspirators directed payments outside their New York operations, then, to locations as varied as the Czech Republic and New Zealand to re-invest into new botnet schemes.

Other criminals launder their money in a variety of ways, through buying expensive cars, homes in the U.S. and abroad, or investing in other types of criminal enterprises, like narcotics distribution and human trafficking. More alarming, governments that sponsor malicious activity use these proceeds to fund illicit war programs, like North Korea's proliferation of nuclear weapons, according to several reports by U.S. government agencies.

In another ICCS panel, Sagar Ravi, who helps oversee the New York Southern District's Complex Frauds and Cybercrime Unit, described a complex scheme involving frozen chicken – yes, frozen chicken -- purchasedn with the proceeds of a series of cybercrimes, then shipped to Ghana, where frozen chicken is in very high demand.

The group of men from Ghana used common frauds including "romance scams," which often target elderly people and involve tricking someone into believing an online love interest desperately needs money for one reason or another; as well as business email compromise schemes, which cause business owners to wire vendor payments to fraudulent accounts.

Then, they used the proceeds to buy millions of dollars in frozen chicken from major U.S. suppliers and ship it overseas, a move that even disrupted Ghana's own domestic farms while the scammers raked in enormous profits on the low-overhead, high-profit purchase.

EMPHASIZING HYGIENE

Often, when we investigate cybercrimes that occur on a small scale against individuals or corporations, we de-emphasize the "who" of the crime, because knowing the perpetrator is often secondary to the emergent issue of fixing the problem, clawing back lost funds or restoring damaged computer equipment.

But when it comes to the big picture of how you as a business owner approach cybersecurity, losing even a small amount of money to crime should not be written off as merely a "cost of doing business." That's why we encourage everyone to be vigilant against all of these types of crime.

Preventing them means less money in the hands of criminals, rogue governments and those who want to simply build even bigger illicit money-making machines. The solution is simpler than it appears: patching, good training of employees, sound password strategy and frequently updated hardware, among other essentials.

Kate Fazzini is Director of Security Operations and Engineering at Ziff Davis; an adjunct professor of cybersecurity at Georgetown University, author of Kingdom of Lies: Unnerving Adventures in the World of Cybercrime and has served as a cybersecurity reporter for The Wall Street Journal and CNBC. John Shegerian is co-founder and Chairman/CEO of ERI, the nation's leading fully integrated IT and electronics asset disposition provider and cybersecurity-focused hardware destruction company.

LOS ANGELES BUSINESS JOURNAL CFO 2022 AWARDS

CFO Survey Reveals Functions Most Likely to Face Cuts

IT and sales functions are top choices for spending increases

A July 2022 survey of more than 200 CFOs and finance leaders showed that real estate/facilities management and finance functions were the most likely to face budgets cuts in the next 12 months, according to Gartner, Inc. Survey respondents identified IT and sales as the functions most likely to be getting increases.

"Given that 72% of CFOs want to trim their organization's real estate footprint by the end of 2022 it's to be expected that facilities management is looking at budget reductions," said Marko Horvat, vice president, research in the Gartner Finance practice. "This makes sense for many organizations where a large share of employees is working from home at least part of the time. However, it's also interesting to note the 9% of companies that are differentiating by increasing their real estate spending in the next 12 months."

IT is the most popular function for increasing spending with 40% planning increases in the next 12 months, and this sentiment is holding steady from a similar survey in May 2022 when 46% of CFO respondents said they planned to scale up enterprise digital initiatives in the next two years.

"CFOs see digital technology as a smart long-term bet, but it's also a critical part of their plan to tackle the effects of rising inflation on corporate margins," said Horvat. "Nearly a quarter of CFOs think greater automation will help to combat inflation, and this aligns with CEOs who are even more bullish on tech with 85% planning to increase spend over last year."

Sales and R&D are the second and third most likely functions to see increases in the next year with 31% and 29% of respondents planning increases.

"The investment in sales and R&D shows that companies are not abandoning their growth bets at the current time, and they are turning to two functions to drive growth in difficult conditions," said Horvat. "This is broadly consistent with our surveys through May and June where CFOs and CEOs selected these areas as being the most likely to protect from cuts."

'CFOs see digital technology as a smart long-term bet, but it's also a critical part of their plan to tackle the effects of rising inflation on corporate margins.'

Gartner experts noted that "efficient growth" companies — those which used spending to differentiate themselves from competitors during times of economic difficulty, rather than relying on cuts — tended to achieve better sustained growth and margin improvements in the long term.

Learn more at gartner.com.

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Nearly Half of Gig, Freelance, and Contract Workers are Denied Access to Financial Services

Argyle, an employment data platform that provides companies access to user-permissioned employment records in real time, recently announced findings from research about the impact of credit scores as a sole or primary means of income verification for 1099 workers.

The Trends in Financial Access for 1099 Workers study gathered responses from over 1,200 gig workers, contract workers, and freelancers. Results reveal that the prevailing system of determining financial worthiness based on an individual's credit score alone is overwhelmingly inequitable and insufficient for credit decisioning for this large and rapidly growing population.

The findings also demonstrate that empowering this class of workers with their own employment data opens new possibilities for them to access vital financial resources that are currently out of reach for many due to legacy credit evaluation practices. Respondents shared that the lack of access had direct negative impacts on their mental health, families, and ability to improve their lives.

Credit score-first income verification standards don't only have harmful consequences for 1099 workers. They are also a barrier to increased revenue opportunities for the businesses and institutions that provide financial, insurance, and housing services, preventing them from serving the total addressable market in the gig, freelance, and contract economies. With the number of 1099 workers expanding each year, this limitation equates to a massive missed opportunity industry-wide to optimize revenue potential—one that can be remedied by incorporating employment and income verification to make credit evaluation more fair and accurate.

1099 WORKERS ARE FREQUENTLY DENIED ACCESS

Gig and freelance workers are continually denied access to essential resources and services at alarming rates, leading to negative mental health effects and challenging implications for their families.

While many 1099 workers have the funds to be eligible for essential services, the current standards for determining financial eligibility is preventing them from proving their eligibility. Nearly half (48.9 percent) of 1099 workers reported that they had been denied access to something they were confident they could cover financially, with 63.1 percent stating that this denial resulted from a low credit score.

More concerning still are the impacts of such barriers to access for 1099 workers. Of those denied access to something they knew they could financially afford, 52.2 percent faced neg-

LOS ANGELES BUSINESS JOURNAL
CFO
2022 AWARDS

ative mental health impacts and 42.9 percent faced negative consequences for their families as a result of the denial.

CREDIT SCORE ALONE DOES NOT FAIRLY DEPICT CREDIT WORTHINESS

Credit score alone is not sufficient for accurately measuring freelance and gig workers' credit-worthiness or ability to pay for financial services. Fifty-five percent of 1099 workers look at their credit scores all the time, but only 36.3 percent of gig workers know everything that goes into calculating their credit scores. Additionally, most gig, contract, and freelance workers (69.9 percent) think that employment records more completely reflect their ability to pay than credit score alone.

Argyle's research reveals that while many 1099 workers check their credit score often, the lack of transparency regarding what factors into their credit scores, as well as credit score's inability to tell the full story of a 1099 worker's income, necessitate a supplement to credit score checks. The vast majority of 1099 workers (71.6 percent) and 74.2 percent of gig workers specifically believe that approval decisions related to ability to access financial services, insurance, and housing should be evaluated on additional or different information besides credit score alone.

INCOME VERIFICATION PRACTICES ARE FAILING 1099 WORKERS

Income verification has become a standard practice for financial institutions, housing providers, and other key industries, yet these entities lack a standard for income verification that treats gig and freelance workers equitably in their consideration for essential services.

While 81.8 percent of 1099 workers have been asked to verify their income from employment (by verification letter, social security number, etc.) in order to secure a loan, housing, or financial resources, more than a third of these individuals (36.5 percent) had difficulty getting their income from employment verified in the manner required by a lender, lessor, or landlord.

Faced with barriers in the income verification process, 63.9 percent of 1099 workers would be willing to share pay stub information with financial institutions, housing providers, and other key industries in order to supplement their credit score and prove their 1099 earnings.

The barriers to income verification access faced by many 1099 workers highlights the need for the increased adoption of a standardized employment data verification system through which individuals can verify their income easily while maintaining ownership of their sensitive information.

INCOME VERIFICATION NEEDS TO SHIFT TO INCREASE ACCESS FOR NON-W-2 WORKERS

Despite the growing number of individuals in the United States turning to gig and freelance work, non-W-2 workers are not granted the consideration they deserve by financial institutions.

Over ninety percent (91.9 percent) of gig, freelance, and contract workers believe they should be entitled to the same consideration by

> 'The growing population of U.S. 1099 workers is going through a struggle – being denied fundamental financial services that are core to modern life – based on how their employment is characterized.'

financial institutions as W-2 workers, as nearly half of these individuals have been denied access to resources and services, often with negative consequences.

"The growing population of U.S. 1099 workers is going through a struggle — being denied fundamental financial services that are core to modern life — based on how their employment is characterized," said Shmulik Fishman, CEO and co-founder of Argyle. "There is a shocking discrepancy in treatment by financial providers between 1099 workers and W-2 salaried workers. We heard from survey respondents who experienced housing insecurity and even homelessness, who were denied services based on a mistake on a credit report, who couldn't get their kids to school, couldn't save a sick family pet, or couldn't travel to get critical healthcare because they had been denied an auto loan. Yet, these same individuals overwhelmingly reported their confidence and ability to pay for these services."

The 1099 worker financial access equity gap revealed by this study substantiates one of the biggest problems that Argyle is on a mission to solve. From its start, the company has focused on increasing financial resource access to traditionally underbanked populations of workers by providing a real-time, complete picture of their financial ability and credit worthiness that is impossible to achieve with legacy systems.

Fishman continued, "It's a harbinger of worse things to come if an alternative is not made available to gig workers, freelancers, and contract workers to prove their clear ability to pay for services they need to properly support themselves and their families. Employment data should absolutely be considered when determining 1099 workers' eligibility for financial, insurance, and housing services, as it is a vastly more accurate assessment of non-W-2 workers' income and overall ability to pay. There is also a significant opportunity for many businesses and institutions to fully optimize their financial potential by better serving the 1099 worker population."

Learn more at argyle.com.

Los Angeles Business Journal
CFO
2022 AWARDS

Financial Planning & Analysis Leaders Move Towards Greater Technology Adoption

Making FP&A more predictive and agile will make finance a better strategic partner to the business

Macroeconomic uncertainty and ongoing disruptions are continuing to drive financial planning and analysis (FP&A) leaders to accelerate technology adoption, according to Gartner, Inc.

"The rate of finance technology investment continues to gather pace," said Pritika Bhattacharjee, vice president, research in the Gartner Finance practice. "CFOs are telling their FP&A leaders that they need to improve flexibility of budgeting and forecasting, enable faster capital reallocation, and updated financial models to reflect rapidly changing business realities."

A survey of 400 finance leaders in December 2021 revealed the extent to which finance functions are turning to technologies that have the potential to significantly transform FP&A through 2023.

"Delivering the kind of transformation that the business is looking for will take many forms," said Bhattacharjee. "Making FP&A more predictive and agile will offer enormous benefits and help to make the business more responsive to changing economic conditions and new opportunities."

To help finance functions achieve greater planning confidence in 2022 and beyond, Gartner experts have six core recommendations:

- Move beyond sensitivity analysis (that typically models the impact of change to only one or two variables at a time) to true scenario planning (that allows exploration of multiple, distinct future possibilities).
- Use driver-based forecasting models that focus on the main drivers of business performance rather than typical time-series models to get the most out of an AI-driven forecast.
- Set clear and specific rolling forecast goals to drive alignment, increase the effectiveness of a rolling forecast process, and aid in implementing an efficient rolling forecast model.
- Develop baseline AI skill sets in the finance staff to enable effective use of AI in forecasting and planning.
- Move closer to integrated financial and operational planning and elevate the role of FP&A to drive consensus on gap-to-close actions by aligning siloed operational forecasts to the financial plan across the medium- and long-term horizons.
- Establish zero-based budgeting to align, evaluate and optimize all spend to strategic business outcomes rather than using it just as cost-cutting tool.

Learn more at gartner.com/en/finance/finance-leaders.

FINANCE'S PLANNED INVESTMENTS IN EMERGING TECHNOLOGIES IN THE NEXT TWO YEARS

72% plan to invest in Automated Machine Learning (ML)

67% plan to invest in Digital Twin

66% plan to invest in Internet of Things (IoT)

60% plan to invest in Neural Networks

Los Angeles Business Journal CFO 2022 AWARDS

Three Critical Areas Where CFOs Drive Enterprise Performance Improvements

Research finds that corporate finance leaders are leveraging the finance function to deliver greater performance in operations, technology and talent

Chief Financial Officers and finance leaders are playing a larger role in enterprise-wide business transformations, particularly in operations, technology and talent, according to a survey conducted last year by FTI Consulting's Office of the CFO Solutions practice, in collaboration with CFO Research.

Responses were gathered from 157 senior executives with finance responsibility, including CFOs, directors of finance, controllers, VP/EVP/SVPs of finance, and others, at a wide range of companies with revenues from $100 million to more than $10 billion in a full gamut of sectors, including financial services/real estate, wholesale/retail trade, health care, and insurance.

This survey shares insights into the expanding role of CFOs and how their engagement with their CEOs, in addition to partnering with COOs, CHROs, CPOs, and CIOs, can translate into superior performance for the enterprise, including shaping corporate strategy, implementing key initiatives, and providing data, guidance, and insight to ensure success.

"We just need to be more collaborative and transparent with each other to grow the company," noted one finance leader.

Some of the key insights include:

- **Some CFOs are still missing the basics**

More than 1/3 of CFOs report that their firms are not conducting routine tasks, such as variance analysis, which is leaving a gap in performance monitoring and improvement.

- **CFOs are getting more involved in talent matters, but identifying how to work with CHROs remains a challenge**

Only 39% of respondents believe their organization has an effective partnership between the CFO and Chief Human Resources Officer. Those who do work together are making an impact on hiring and retention, workforce planning and aligning required skills to business needs.

- **A strong partnership between CFOs and it is crucial to business performance**

CFOs are focusing on technology investments because of competitive advantages that new and enhanced capabilities provide across the enterprise. But many companies aren't trying to get more out of the IT infrastructure that they already have, so they're missing an opportunity to improve performance without incremental technology investment.

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. With more than 4,700 employees located in 28 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities. The company generated $2.03 billion in revenues during fiscal year 2018. For more information, visit fticonsulting.com or connect on Twitter (@FTIConsulting), Facebook and LinkedIn.

CFO Research, an Argyle company, has been a trusted source of insight into the business issues that matter most to finance professionals since its founding in 2000. CFO Research is the sister firm of CFO Magazine, and relies on senior finance executives to share their experiences, insights, and observations on critical business issues. This cutting-edge research supports critical business decisions by our sponsors, as well as their thought leadership positioning and marketing efforts.

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LOS ANGELES BUSINESS JOURNAL
CFO
2022 AWARDS

CFOs Should Build Cost Strategy Around Differentiating Factors

Only a third of firms drive returns greater than the cost of capital, according to a Gartner, Inc. analysis of cost structure models. For those organizations built around factors such as unique competitive differentiators they drove a 6% greater return on return on invested capital (ROIC) over 3 years when compared to those with cost models focused on external factors such as competitive trends.

"Most companies have cost models that respond to factors external to the organization," said Jason Boldt, research vice president for the Gartner Finance practice. "This might take the form of chasing the same 'hot' markets as competitors or overcommitting to well-known trends such as digital business or artificial intelligence."

Yet CFOs who model their costs around the differentiating factors unique to their organizations secure on average a greater excess ROIC versus those who focus on extrinsic factors. They also exhibit more resilience in the face of unexpected events, such as the COVID-19 economic crisis.

"Even before the COVID-19 downturn, less than a third of public companies we studied were earning returns above the cost of capital," said Boldt. "Our research shows that CFOs are often blown off course by external targets that prioritize growth over profitability. Their targets, because they are externally focused, are routinely disrupted by changes to the macro picture."

As part of the analysis, Gartner studied the performance of 1,142 public companies over an eight-year period and complemented this quantitative analysis with in-depth interviews of large enterprise CFOs. The analysis revealed that the factors that influence the CFO in determining how they structure and prioritize costs can have a meaningful impact on value creation and excess economic return.

FOLLOWING COMPETITORS LEADS CFOS ASTRAY

The pressure to model growth, and therefore cost management strategies, around matching competitors leads to chasing after crowded markets, pursuing dubious trends and deals that boost short-term growth at the expense of long-term value. Among the public companies Gartner studied for long-term performance, revenues have improved by 25%, yet reinvestment efficiency and profitability both declined over the same period.

"The story of the last decade has been one of mostly unprofitable growth," said Boldt. "In many industries, competition for organic growth has intensified, leading many organizations to secure growth through M&A. This boosts short-term growth but adds significant invested capital to balance sheets that the majority of companies have failed to translate into excess returns on capital. It's clear from our research that CFOs who follow the herd and chase popular trends suffer when it comes to the most important long-term metrics."

DIFFERENTIATED COST STRUCTURES DRIVE VALUE

CFOs seeking to move towards a differentiating cost structure will face three risks. First, when the business gets word that CFOs are protecting costs associated with differentiation, everything becomes differentiating to protect business unit's budgets. Second, budget holders will potentially ask for increased resources to achieve differentiation. Finally, business leaders may struggle to make appropriate tradeoffs.

To overcome these barriers, Boldt recommends the following approaches:

- **Cross-Functional, Not Finance vs. Business –** The complexity and interrelatedness of costs that drive points of differentiation are critical to protect and require ongoing assessment from business owners to ensure these costs are protected. Resourcing the most complex costs with both business owners and finance leaders ensures cost optimization targets do not inadvertently cut areas of differentiation.
- **Pressure-Test Constraints, Not Budget Inputs –** To better understand both the lower and upper bounds of useful funding for a project, finance and business leaders can test both the absolute lowest budget before a project breaks and the maximum funding a project receives before returns diminish. Conducting such an exercise can reveal when a project can start on a "lean" basis and also illuminate opportunities for additional investments in differentiating projects.
- **Test-and-Learn, Not "All-In" –** CFOs should avoid going all-in on differentiating investments until they have sufficient evidence for how specific costs create a point of differentiation and the market outcomes that prove it, such as customer willingness-to-pay.

The Gartner Finance practice helps senior finance executives meet priorities. Learn more at gartner.com.

LOS ANGELES BUSINESS JOURNAL CFO 2022 AWARDS

Trends CFOs Must Understand to Prepare for the Future of Finance

Gartner, Inc. has identified the top 10 trends that will be critical to the success of CFOs. CFOs and Finance leaders can sometimes struggle to make sense of the many trends that impact their finance function and the wider organization today. Understanding these trends will enable them to succeed in their role.

1. Digital is creating a skills disconnect

As organizations continue a path toward digital transformation, finance talent management strategies must evolve more quickly. CFOs need to revise competency models to address the digital shifts impacting their business, which will inform how they recruit, develop, retain and provide career growth for staff.

"A lack of digital savviness in finance will impact an organization's ability to make good decisions," said Craig Wilton, senior director, advisory. "Finance staff must understand how digital technologies interact with the corporate ecosystem and also how to articulate bias and risk in machine learning."

2. Demand for decision-ready data

Organizations often handle data in a rigid way that doesn't help the business make a decision. Finance leaders must make trade-offs in governance standards to make their data more useful in decision-making.

This requires a pragmatic mindset where governance principles can be loosened, where data can reside with its owner, and where highly governed data is presented alongside more intuitive sources.

3. (Re)centralization of finance analytics

Finance leaders must determine which types of analysis belong in either an analytics center of excellence or in a business unit and develop a scalable partnership model to facilitate this.

Finance leaders should ask which business partner decisions most need finance's deep analytical support and understand the unique issues of each business line. Then they should develop a partnership structure that optimizes analytical scale without undermining the partner relationship.

4. The AI revolution has begun

"In the coming decade, artificial intelligence (AI) will optimize or transform nearly every activity in finance," said Wilton. "Finance leaders should educate themselves on how the function may change, prepare their team with new skill sets, and explore the investments needed to deploy AI."

5. An emerging fourth era for ERP

Enterprise resource planning (ERP) has entered its fourth era and for finance leaders this means being ready for standard global processes across its organization with real-time data and intelligent platforms. Finance organizations will need to respond faster than ever before to continuous cloud-updated ERP and treat it as an organizational rather than an IT asset.

Finance leaders, therefore, need to think about how their team will operate in a real-time planning, budgeting and closing environment.

6. Growing use of global business services

Shared services as a concept has moved far beyond finance transaction processing and now includes value-added services in finance and beyond. Focus away from just cost reduction toward value delivery.

"Automation is reducing the need to chase labor arbitrage across the globe," said Wilton. "Finance leaders should think about how shared services can maximize value-added services, and how they will develop the necessary skills to do that."

7. Reporting goes on-demand

Reporting expectations have evolved, and this will increase pressure on the finance team to deliver real-time reporting. Moreover, stakeholders will demand real-time access to finance data and advanced analytics.

Finance leaders must understand how to make this a reality: What technologies will enable finance organizations to deliver on-demand reporting? How should data be governed as reporting expands to integrate financial and nonfinancial data? What skills will finance leaders need to deliver on-demand reporting?

8. RPA is putting internal controls at risk

The efficiency and potential of robotic process automation (RPA) are already spurring widespread adoption in finance. It's important that finance leaders do not allow themselves to be blinded by the many benefits. In some cases, RPA robots have been used without the knowledge of internal control teams, causing unknown reporting risks.

Finance teams must balance governance of RPA and other digital technologies with efficiency. They must think about how they can track RPA use cases for their impact on controls and think about what are the right internal controls for RPA.

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Los Angeles Business Journal CFO 2022 AWARDS

CFOs Weigh in on Economic Challenges

A recent survey from Grant Thornton LLP, one of America's largest audit, tax and advisory firms, provides an in-depth look at how CFOs are navigating an increasingly turbulent business climate.

Specifically, Grant Thornton's 2022 Q1 CFO Survey revealed a decline in optimism as CFOs took steps to combat inflation. Since September 2021, the percentage of respondents who are optimistic about the U.S. economy fell 20 percentage-points to just 49%. Increasing costs of goods and services easily topped the list of reasons for a negative outlook — 80% of CFOs cited this as their main reason. Meanwhile, supply chain challenges, the war in Ukraine and inflation also figured prominently in finance leaders' pessimism. In response to inflation, 60% of respondents said they are increasing their budget for compensation.

On the positive side, 50% of the more than 270 CFOs surveyed said they believe the economic impact of COVID-19 is waning. And whereas one-third (33%) of the respondents in Grant Thornton's previous CFO survey (released in February 2022) said they expect inflation to impact their business for more than a year, that number fell to 25% in the Q1 survey.

"Given the aggressive rate hike schedule the Fed is now proposing, many CFOs are hopeful that inflation will begin to moderate," said Enzo Santilli, national managing partner of Transformation at Grant Thornton. "Still, finance leaders are preparing to grapple with a host of complex challenges throughout the rest of 2022."

PRICE HIKES GAIN POPULARITY

Grant Thornton's 2022 Q1 CFO Survey also showed the lengths finance leaders will go to mitigate inflation. For instance, 50% of the CFOs surveyed said they plan to raise prices. Of those planning to raise prices, 82% expect to increase their prices by 5% or more and over one-fourth (28%) expect to raise prices by more than 10%. This is likely a direct response to inflation concerns: Nearly half (46%) of CFOs expect inflation to have a negative impact on their profits in calendar year 2022. At the same time, over one-third (35%) expect inflation to have a positive impact on their profits this year.

While price hikes and an increased investment in compensation were the two most popular inflation mitigation strategies, survey respondents detailed a variety of approaches. For instance, 38% of CFOs surveyed are changing their debt structure.

"Inflation is not a monolith," said Sean Denham, Grant Thornton's national Audit growth leader and the managing partner of the firm's Philadelphia office. "It really depends on your cost drivers. Services companies are dealing with spiraling wages, and companies that are big energy consumers must address rapid increases in energy costs. But not every market or consumer will react the same way to price increases. It makes sense that companies will tailor pricing decisions based on their costs and their markets."

Meanwhile, rate hikes from the Federal Reserve drew plenty of attention. Respondents were hopeful hikes will help control inflation.

SUPPLY CHAIN AND CYBERSECURITY RANK AS TOP CONCERNS

Amidst inflation, production center lockdowns in China, and the war in Ukraine, supply chain disruptions are likely to continue for the foreseeable future. That explains why more than one-third (35%) of survey respondents cited supply chain troubles as a key challenge. But these ongoing disruptions didn't rank as the top challenge facing businesses. Rather, 40% of CFOs cited cybersecurity as their greatest concern.

According to John Pearce, a principal in Grant Thornton's Cyber Risk Advisory practice, the pervasiveness of ransomware attacks is likely troubling many companies. Yet CFOs are mostly investing in existing cybersecurity efforts — not new initiatives.

PREFERENCES DIVERGE FOR CFOS AND EMPLOYEES

Grant Thornton's 2022 Q1 CFO Survey also found many leaders grappling with the phenomenon known as "the Great Resignation."

Fifty-seven percent of CFOs said talent attraction and retention is their primary human capital challenge, while 48% of CFOs are expecting their compensation and benefits investment to increase. Nearly half (45%) plan to spend more on recruiting.

When asked about their return-to-office plans, CFOs painted a confusing picture.

While 74% believe hybrid and remote work are here to stay and are committed to improving that model, 61% of respondents also said they are focused on getting most or all their people returning to work on-site.

The latter stat runs contrary to what most employees covet: In Grant Thornton's most recent State of Work in America survey, 80% of respondents said they want flexibility in where and even when they work.

In past CFO surveys conducted by Grant Thornton, the landscape was dominated by uncertainty.

While plenty of ambiguity remains, CFOs now have a much clearer vision of the road ahead.

"CFOs are trying to position their companies for success while coping with multiple crises that have short- and long-term implications," concluded Santilli.