Even as they navigate businesses through digital transformations, senior finance executives must continually reassess their own effectiveness as well as their companies’ competitiveness. With each step they take—whether it’s an investment in a new technology or fulfilling the rising demand for specific skills—they must track the progress they are making on the longer digital journey.
Rarely do finance executives emerge at any stage in the process with pristine evaluations such as “went well, on time, and on budget,” which is how Patrick Gannon describes the ERP implementation he oversaw. Gannon serves as Executive Director and Controller of CME Group, the world’s largest and most diverse commodities exchange. Gannon’s assessment of the myriad challenges associated with digital transformation—both at the corporate level and within the finance function—provides valuable guidance for finance executives who want to keep a sharp eye on their priorities as they face unprecedented strategic challenges.

At a recent forum titled “Strategy and Innovation in the Digital Era,” Gannon talked in-depth about the finance function’s path to digital reinvention with Roy Nicholson, a Principal in Grant Thornton’s Advisory Practice and a leader in that firm’s Technology Strategy and Management Practice, with a focus on digital transformation. What follows is an excerpt of their conversation:

**Roy Nicholson, Grant Thornton:** In a recent survey we conducted with CFO Research, about 70% of finance executives told us that their companies plan to increase their investment in digital transformation in the coming year. What’s been your approach to digital transformation at CME?

**Patrick Gannon, CME Group:** For a company like ours, it’s all about efficiency, reducing latency, and the speed of the trade. Whether you’re trading in Chicago or from a desk in Malaysia, the speed and the performance needs to be the same. About five years ago, our mantra was to buy the best-in-class for everything, so we went out and bought a separate software application for every little finance function. Most of that was hosted on our servers. Then we implemented a new cloud ERP for all of HR and finance last summer, and how many times have you heard of an ERP implementation going well? Well, ours actually went well; on time and on budget. We’re pretty proud of that.

We wanted something that was intuitive and allowed for self-service and mobility. Our new ERP brings the same look and feel to the HR and finance functions. Whether it’s a staff member onboarding an employee in Chicago or trying to create a purchase order requisition in China, users have the same experience by using just one system. Between HR and finance, we retired more than 10 systems.
Mobility and self-service were major selling points to executives, who value the ability to perform HR and finance administrative tasks on their phone during typical downtimes, such as commutes. We also invested in dashboards. Every divisional head has a divisional dashboard and every management team member has both divisional and companywide dashboards. When they click on one, it provides up-to-the-minute, live data, including a full consolidation. If they are looking at the company or their own division they can find out, without assistance, e.g., why their consultant fees went up $2 million this quarter. They just click on that number and see trended consulting expenses for the last five quarters. Then they can drill down by vendor to see who approved the PO. So, business line leaders or their designees can answer their own questions: Why did my expenses go up? How am I doing versus budget? All of that is at their fingertips, any day, any hour, or Amazon, each and every one of those companies is spending more than $1 billion on cybersecurity every year. In terms of mobility, we had a pretty good debate within the company about not just putting stuff onto the cloud, but rather putting it on people’s cell phones as well. Eventually, we did enable two-factor authentication on our cell phones. Now all HR and finance administrative tasks can essentially be done on a phone, and quite frankly, a lot of them are easier on a phone than they are on a desktop. We’re seeing more timely approvals because these tasks can be done via phone and at convenient times.

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—PATRICK GANNON

Nicholson: *What concerns did you have in moving to the cloud—and how did you address them?*

Gannon: I’m not a cybersecurity expert, by any means. But from a cybersecurity perspective, moving certain applications to the cloud was a hurdle for several people in our institution to overcome. Quite frankly, I feel better about it in my role in the finance world because, whether you’re using Microsoft, Google, or Amazon, each and every one of those companies is spending more than $1 billion on cybersecurity every year. In terms of mobility, we had a pretty good debate within the company about not just putting stuff onto the cloud, but rather putting it on people’s cell phones as well. Eventually, we did enable two-factor authentication on our cell phones. Now all HR and finance administrative tasks can essentially be done on a phone, and quite frankly, a lot of them are easier on a phone than they are on a desktop. We’re seeing more timely approvals because these tasks can be done via phone and at convenient times.

**Nicholson:** In the CFO survey, half of the respondents say that their company is investing in digital transformation with the goal of improving operational performance. Technology is playing a huge role in that. About 85% of CFOs we surveyed expect to implement advanced analytics in the finance function within the next five years; about 60% expect to implement optical character recognition, and almost as many—56%—expect to be using distributed ledger technology. What are you looking at, technology-wise?

Gannon: It sounds like we’re a little further along than others but are just beginning to test Robotic Process Automation (RPA). We have over 1,000 bank accounts, and I would say 300+ of those are zero-balance sweep accounts, and we have staff members in Ireland whose full-time job is to reconcile cash—to download statements and compare them to the GL download in a separate system.

What we are building and testing right now with financial robotics will enable us to have one report that tells us that the balance on the bank statement says zero and the balance on the general ledger says zero, requiring zero time from staff. That’s where automation is going. This being finance, a lot of
what we do financial-reporting-wise—whether it’s tax, statutory, regulatory, or compliance reporting—it involves pulling data out of various systems and putting it into a preset form. Now, you don’t want to transmit a regulatory report without any kind of review, but those are some of the test cases we are working on right now. Again, one of the bigger hurdles is getting various people in risk and compliance comfortable with what we’re doing.

In terms of distributed ledger, we have not done much within finance; however, there is opportunity. At CME, we have customer invoices that list significant detail at the trade level, and some can be 200 pages long. What can they possibly do with that? That’s where distributed ledger technology—that’s what I like to call it, to avoid misunderstanding, because people think of Blockchain as synonymous with a certain cryptocurrency—comes in. Distributed ledger, as well as artificial intelligence, need agreement among all stakeholders, so I think that’s going to take a little bit longer for adoption.


Gannon: Although compensation is our largest expense, we are not doing any of this to lay anyone off. It’s just to redirect our employees to do more valuable tasks. Like most finance folks, I have a laundry list of things that come across my desk—almost every week—and I say, “I wish we had time to spend on that.” I have at least 100 things on that list that I already know I’m not going to get to in 2018. It would be nice to be able to use automation so that we could tackle some of those. Within finance, we are not using any of those technologies yet.

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Nicholson: What changes do you see coming in terms of skills? What’s going to be the evolution of your finance organization within CME or of people working within the larger organization?

Gannon: I have two kids in college. One’s an accounting major; one’s a finance major. About 18 months ago, I was at a demo of RPA. Based on what I saw, I texted both of my kids and said, “You’re each going to get – at a minimum – a minor in MIS or data analytics. We’ll talk tonight. Love, Dad.” I think that answers your question.
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