Chapter 3
The Financial Function in Era 4.0: Challenges of Digital Transformation in SMEs

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ABSTRACT

The global system evolves at high speed. Megatrends emerge, and they develop, interact, multiply, and transform into a continuous and increasingly crazy movement. Companies have to dance this rhythm. It’s not just about adapting, but about doing it the right way. SMEs also share these similarities even if they have their own casuistry. Due to the important weight that SMEs have in the globalized global economy, there is a growing interest in studying them and the way they create value. In this context, the figure of the financial director has acquired great relevance. The last major financial crisis has confirmed its important work in SMEs and also that his role is evolving to become an essential key to increase the value of the company. In this chapter, the authors discuss the role of the financial director and the challenges they have to take on in the new technological context.

INTRODUCTION

The world of today moves quickly under the influence of several trends. Among some of the most outstanding trends, there is the change at territorial level that is taking place in the global economic power and the consequent demographic and social

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changes. The rapid urbanization of some areas is one of its principal consequences. Likewise, the increasing competition for resources and climate change are two issues of special relevance and with a high degree of penetration in society. In addition, the constant technological revolution is another of the pillars on which present and future depend on. In this environment is where professionals dedicated to finance and accounting develop their activity and play a fundamental role facing the challenges in areas such as strategy, organization, governance or IT process (IFAC, 2018a).

This is why the appropriate use of technology by companies is a differential factor of great value. Companies that integrate successful disruptive technologies are more valued in market than those that have not yet taken this step or have done it without the determination to implement it successfully. This issue is particularly sensitive in the case of the category of small and medium enterprises (SMEs). Their lower financial capacity makes digital transformation an essential tool to maintain and increase their competitiveness in an increasingly competitive market.

The constant technological innovation is generating a new ecosystem where the functions usually attributed to the financial department are evolving to ensure their alignment with the whole organization. This new technological context requires avant-garde technological tools. Foremost among some of the most representative are blockchain, robotics, artificial intelligence, learning machine, or data mining. Likewise, it should not be forgotten resources such as social networks and new digital platforms.

Within this reality, the functions assigned to the financial manager extend their scope and are not just limited to traditional tasks such as internal control, treasury management, or negotiation with financial institutions. Nowadays the mission of financial manager has been extended to functions more typical of the general management of companies. Digitization creates value and financial management has the challenge of focusing the different decisions towards the same objectives, from both a strategic and operational perspective. The financial information usually used needs to be complemented with new variables that help define the value added by technology in the new digital business models. In light of the considerations mentioned above, the main objective of this chapter is to analyse the financial function in the era of digitalization and the main functions and challenges faced by the financial department and the chief financial officer (CFO).

Given the multidisciplinary nature of financial management, CFO and the whole financial department need to acquire and deepen their skills and competences outside the strictly financial sphere. In this vein, technological innovation is one of the essential elements that CFO will have to internalize, both directly and transversally, as one of his main functions.

Technological knowledge must be internalized as one of the keys factors to increase efficiency and add value to both shareholders and stakeholders. Thus, both
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