Siegfried

FEI'S FINANCIAL LEADERSHIP SUMMIT

INSIGHTS FROM SIEGFRIED

Financial Executives International's
2021 Financial Leadership Summit

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Financial Executives International (FEI) recently held its annual Financial Leadership Summit virtually. This year's summit focused on helping attendees develop strategies for reducing the fear, uncertainty, and stress of these challenging
times while guiding businesses to success.

The Siegfried Group, LLP (Siegfried) prepared the following highlights from several of the sessions to share with our stakeholders:

DAY ONE
Re-Opening and Recovery

Presented by Eric Knachel (Partner, Professional Practice Group, Deloitte), this session highlighted 2020 as a year of countless challenges, while also giving us a chance to witness impressive instances of innovation, improvisation, and modification to these setbacks. As CFOs face the demands of financial reporting and accounting, they're prioritizing which issues need to be addressed for companies to re-open and recover. The presentation focused on the challenges in forecasting, disclosure, and communication with stakeholders, internal controls, cyber risk, ESG practices and disclosures, and SPACs.

DAY TWO
How to Build a Culture of Selfless Service: Reinventing Yourself into the Selfless Leader Your Organization Desperately Needs

In addition to being an entrepreneur, Jonathan Keyser is an author, columnist, nationally renowned speaker, and is currently working toward the launch of the Keyser Institute to train the next generation of selfless leaders. He emphasized that a company and its leaders should always be in a process of reinvention or continuous improvement to be selfless toward all stakeholders. He believes that achieving success through selflessness and selfless service will lead to an overall transformative effect on the organization and workplace, benefiting all involved. His process consists of three levels of reinvention.

Level One: Self

- Start with self before attempting to impart change on others. Spend time on self-reflection and areas where you are not currently being selfless.
- Be your word. Follow through with your word to better allow stakeholders to align with company goals and objectives.
- Embrace feedback from all directions. Be willing to be different on this endless journey.

Level Two: Culture

- Serve your team. Create a culture where no team member is superior to another.
- Never punish mistakes. Remove fear from the equation.
- Encourage boldness in others.
- Listen. Create an environment where people can openly share and counter the company's narrative.
- Lighten the load. Be aware of the team's stress levels and mental capacity.
- Be the example, but accept it's not for everyone.

Level Three: Clients and Collaborators

- Be present in service. Outwork the competition.
- Put them first. Help them win.
- Embrace change and continuous improvement.
- Be selective with partners.

Hacking the Hackers and Protecting the Future

Nick Espinosa (Chief Security Fanatic & CIO; Security Fanatics & Forbes Technology Council) shared his expertise on cyber risks corporations face as dark web exposure and hacking attacks continue to threaten day-to-day activities. He provided insight into creating a well-defended organization and provided demonstrations of hacking vulnerabilities.

Nick shared that 2020 was the worst year on record for cyber-related attacks. He focused on the following to ensure listeners a safer cyber future.

- Cloud platforms, which are frequently misconfigured by organizations, can lead to large data leaks. It is recommended to have third-party checks of cloud configurations (consider an audit), perform periodic penetration testing, patch/update cloud infrastructure regularly, improve firewall security, and enable identify management/2FA.
- Mobile devices are considered the largest rising threat. All devices should use encryption software and VPN/NGFW/2FA. "Bring your own device" policies should be eliminated for the organization to retain control of the device.
- Automation and gamification of employee training and awareness, which should be conducted periodically given the continuously changing environment, is critical.
- Make sure your organization understands the difference in technical roles. Cyber and IT should be considered different areas of expertise.

Special Purpose Acquisition Companies (SPACs): Fad or Future?

Mark Schwartz, Karim Anani, and Traci Twardowski, all of Ernst & Young, LLP, discussed the ongoing interest in SPACs. They highlighted that in 2020, SPAC IPOs raised more capital than in all prior years combined and that

activity thus far in 2021 has been on pace to exceed 2020. With renewed interest in this decades-old path to market, some are calling it a bubble, but others see it as the ongoing transformation of our capital markets.

Karim started the session by summarizing where we are today in the SPAC market.

- The trading performance of announced mergers or SPACs that have recently completed mergers has come down dramatically. Indexed trading prices of SPACs since last year are down.
- The slowdown in funds from pipe market investors indicates that the cycle of investment funds is tightening. Pipe market investors are those investing between the LOI and MA, the "pipe," which include investment firms like Blackrock.
- Regulatory attention with recent SEC statements question the accounting classification for warrants often present in SPACs (i.e., equity vs. liability). Significant warrants already issued could require restatement.
- Recent activity predominantly lived in technology and healthcare. Growth companies and disruptive companies are suited to SPACs. Increase diversification of targets is expected.

Mark covered why SPACs have become an attractive path to market over the traditional IPO.

- IPOs generally take longer to execute, with significant extra preparation and red tape, as well as a degree of uncertainty and variability right up until listing (i.e., investor roadshow).
- SPACs provide more certainty and flexibility. SPAC companies are taking in significantly more capital and can fund themselves longer upfront. There is more ability to cash out existing/legacy shareholders.

Both Mark and Karim reiterated that these vehicles are not new, only receiving extra visibility given the capital committed. While we may see a reduction from the prior year and Q1-21 surge, the overall SPAC pipeline is still strong, with approximately 425 SPACs seeking a target and more than $138 billion in capital with $150-175 billion expected to be announced this year.

Human-Centric Digital Transformation for Finance Leaders

Digital transformation has generally been described as a technology-first means to transform businesses. Rauli Garcia (VP of Strategic Marketing and Demand Generation at Sage Intacct, Inc.) presented on how digital transformation IT modernization and process automation should be a human-focused business imperative. In the session, he discussed deconstructing digital transformation to show how replacing manual processes with digital processes puts people first, rather than making them obsolete. A few of his main points included:

- Make incremental steps of digital change while maintaining an overarching vision to allow for people to adapt and for human work to be elevated.

- Take your business model from one designed around people performing tasks and processes to one designed around smooth, digital tasks and processes to improve human lives in the workplace.

- The role of the CFO has changed more in the last year than in the prior five years. There is a push to free up executive time to make room for digital transformation, seek new opportunities, and better understand and respond to risks. Rauli noted the top three drivers for the CFO today:

1. Improving employee productivity.
2. Keeping up with customer demands and expectations.
3. Improving collaboration with external stakeholders – "Digital transformation is going to begin and end with the customer."

- Technologies such as artificial intelligence and big data serve the transformation by elevating the work of humans.
- Seek change that provides the most value with the least amount of risk.

DAY FOUR

Driving Innovation through the Finance Department

The ongoing COVID-19 pandemic highlighted the critical role financial leaders play within their organizations. In this session, Amy Shelly, CFO of Options Clearing Corporation (OCC), and Maggie Martensen, CFO of Cristo Rey Jesuit High School, discussed their experience in the remote work environment, market volatility accelerated digital transformations, and the shift toward new business models happening in finance. As these business models are adapted and rebuilt, financial leaders are finding themselves in a unique position as the catalyst for change, extending their influence throughout the organization.

The discussion largely focused on gaining an insight into how to challenge the status quo, encourage open-mindedness to change, and the need to foster a creative atmosphere that drives innovation and growth. Maggie and Amy highlighted the following key points regarding staff engagement:
- Video calls allow for visual cues to be picked up to ensure understanding and alignment on objectives.

- OCC implemented a "commitment challenge" to staff to facilitate meaningful conversations and relationship/team building.
- From a CFO perspective, they noted a need to be very purposeful in conversations with peers, periodically checking in with different executives for "no agenda" catch-ups.
- On big data initiatives and managing digital change, Amy highlighted a need to understand all the tools at hand, the importance of getting to know stakeholder blockers, and being able to confidently articulate your story to get buy-in from stakeholders to implement change.

DAY FIVE
Leadership in a Distracted and Remote World

Presented by Cam Marston (author, columnist, blogger, and lecturer, Generational Insights) this session highlighted how our communication preferences have a lot to do with our generation, what we experienced as children, and how we were raised. As children, our communication preferences were cemented, and for most of us, those same partialities are the ones we rely on today as leaders. We presume others share our communication preferences, that others will want to exchange information the same way we do, yet this could not be further from the truth. This presentation explored the communication preferences of each of the five generations, providing insights and easy-to-apply tactics to quickly see results and successfully lead teams, even in a remote environment.

Generations USA – 2021
To understand different presentation and communication preferences, the five generations must first be defined. Those who are born within five years of an adjacent generation are considered "tweeners" and may see characteristics of themselves in both generations.

- Matures: > 76+ years old
- Baby Boomers: 57 to 75 years old
- GenX: 42 to 56 years old
- Millennials (GenY): +/- 21 to 41 years old
- iGen / GenZ / Connected Plurals: < +/- 20 years old

Parenting trends
How a generation was parented has a strong correlation to their behaviors in the workforce. Generally, Baby Boomers are parents of Millennials and developed the trend of "helicopter parents." The GenX generation is generally parents to the iGen generation. The parenting style most prevalent in this group is called a "drone parent." A drone parent is involved in the lives of their children and oftentimes can manage and manipulate their child's behavior and lifestyle from a distance.

Independence is a life stage
Independence is happening later in life than it ever has before. Young adults (18-34 years old) living with their parents increased from 27% in 1969 to roughly 32% in 2019. Further, this number is expected to substantially increase due to COVID-19. Additionally, individuals between the ages of 18-28 are getting married later in life. These statistics help to demonstrate the gap that exists between all the generations on how they live, engage, and see the world.

Bias for receiving information
When providing information to an individual, it is helpful to understand the best way that they receive information. Baby Boomers want to know the "why" of the decision, really focusing on the context and background. In contrast to Baby Boomers, Millennials and GenX want to know about the future and how the decision will impact them moving forward. These generations are more concentrated on the individual, the ego, how things will affect their lives, make them

distinct, how decisions will impact their future, and how they are different.

New learning styles: book learners vs screen learners
Book learners are swayed by logic, research, and history of previous decisions. A book learner believes that good ideas come from dwelling on content and thoughtful consideration, or the mindset of "it's the plans, not the planning." GenX and Baby Boomers are found to be book learners. Screen learners learn through images and first impressions. They are associate thinkers as opposed to logical thinkers, and have the opposite mindset of "it's the planning, not the plans." Millennials and iGen are found to be screen learners.

Work preference puzzler
To create a high-performing team three steps must be followed:

1. You must understand what your preferences are (self-reflection),
2. You must be able to identify the preferences of your teammates, and
3. You must let your teammates' preferences thrive.

DAY SIX
CFO Roundtable - Post COVID 19 - Going Forward: What Have we Learned Going Forward

Chris Kearny (Central Region Managing Partner, Tatum) moderated the CFO roundtable between Maryann Correnti (CFO, Heinen's Grocery Store), Rachel Stewart (VP Finance Derma Health Skin and Laser), and Jay Trumbower (CFO & COO, Boulay CPAs and Consultants).

Topic 1: Take us back to spring 2021 – what was going through your mind?

Maryann Correnti: Maryann discussed the challenges faced while working in the grocery business during COVID-19. As grocery stores were considered an essential business, Maryann's top concern and focus was how to make and keep her customers and employees safe. The biggest challenge that faced Heinen's was the polarizing opinion of customers regarding masks; some customers agreed with the mask policy while others said it was discriminatory and refused to wear one. Some of the stores were even picketed because they required customers to wear masks. Throughout the difficulty, there was alignment and synergy throughout the leadership team which proved to be key to their success. All members of the leadership team took calls from customers and worked on the floors, stocking shelves, and checking out customers.

Rachel Stewart: Rachel's biggest challenge was having her business closed during the beginning of the pandemic. She had to not only save the business but also the employees, who were home not working while the executive team was working overtime to combat an unpredictable future.

Jay Trumbower: The biggest challenge that Jay faced was the timing of audit and tax deadlines. On the audit front, there was a scramble and a constant fire drill whether to be in the field or not, while on the tax side the unknown of the tax deadlines left a lot of uncertainty in the air. Jay's firm established a "Response Team" that was comprised of ten individuals from leadership who put together a detailed contingency plan assuming the worst.

Topic 2: What do you know now that you wish you knew prior to the start of the pandemic?

Maryann Correnti: Maryann discussed the hoarding of paper towels, toilet papers, and cleaning supplies. The pandemic was an unprecedented time resulting in the hoarding of products that the grocery store industry had not previously seen. As this was happening consistently throughout all grocery stores, vendors had

to go on an allocation system to manage distribution. At the time, Heinen's only had one vendor for paper products and cleaning supplies, leaving their stores without product. Moving forward, Maryann said the leadership has already discussed and implemented always using multiple vendors to help alleviate when vendors must utilize an allocation system.

Rachel Stewart: Rachel deliberated on this question but ultimately says that she would not do anything differently. The team rallied together and executed with success whatever needed to be done to see her team and business get through this unprecedented time. This experience renewed her belief in the ability of people to work together and produce a favorable outcome.

Jay Trumbower: Jay continually emphasized the importance of flexibility. When the pandemic first hit, one of the top concerns for the company was how the audits were going to be finished from a remote environment. Now almost 14 months later, it is evident that flexibility can not only exist in the workforce, but thrive. It is no longer about the continuous hours worked but allowing employees the flexibility to work on a schedule that coincides with their life if the deliverables are completed on time.

Topic 3: How have you maintained the company's culture?

Rachel Stewart: Being a smaller business, Rachel and her team recognized immediately the importance of communication. There was daily communication to all employees and the CEO would reach out directly on a weekly basis. Even though the circumstances were constantly changing, Rachel and her team felt it was imperative to provide constant updates and a timeline; they over-communicated to help ease any anxiety of their employees.

Jay Trumbower: Culture does take a hit at the end of the day; all the in-person social events or even sidebar conversations at the water cooler are no longer naturally happening. The social aspect of the office became a scheduled event on Zoom. The challenge will now be how to bring back employees in a way that they want (flexibility/remote) and still maintain and recreate the natural socialization and office culture that once existed.

To end the roundtable discussion, all three participants discussed the importance of tone at the top. All three companies contributed this to the success of each company not only surviving, but now thriving during the pandemic. Leading with optimism and remaining calm, cool, and collected was key to both financial success as well as personal success for their employees.

How AI-Infused Planning and Forecasting are Shaping the Way Finance Teams Do Work

Presented by Jim Collins (Watson Applications Strategy Executive, North America Data & AI, Planning Analytics with Watson, IBM) this session focused on a new era of finance transformation where forward-thinking businesses have strategies that are focused on digitization, process automation, agility, and a variety of other solutions to combat enterprise issues and challenges.

Finance has a broader set of activities and the scope continues to expand
Volatility, uncertainty, and risk are now a part of the normal business model. Both external and internal forces are driving unprecedented disruption; this is causing everyone in enterprise to consider how to drive profitable growth, address regulation, and risk in uncertain times. AI-Infused planning will help combat these concerns through digitized, intelligent, integrated processes that are available anytime, anywhere. All

good decisions are integrated; coordinated decisions lead to coordinated execution and greater business performance.

Integrated planning and exploratory analytics
Integrated planning, scheduling, and advanced insights help to automate the planning process through the following four pillars:

1. Action (leverage advanced insights): Predict and optimize your business parameters to drive differentiated value and optimal results.
2. Agility (steer business performance): A business-owned, flexible solution that bridges operations and finance, allowing you to adapt quickly to ever-changing business conditions.
3. Collaboration (integration): Synchronize processes and data across the organization from finance to operations to create more accurate, integrated plans.
4. Accelerations (drive efficiency): Provide rapid self-service, end-user adoption to start fast and grow, with an accurate and automated solution that saves time and money.

Strategic business objectives that can be addressed with AI:

1. Gain a competitive edge
2. Reduce costs
3. Increase revenue
4. Improve team efficiency
5. Provide speed-to-value
6. Mitigate the risk of non-compliance
7. Anticipate the cost of disruption
8. Consider the value of digital maturity

The six crucial strategies that define digital winners:
Jim discussed the importance of the idea to "expect and introduce the unexpected." To be able to bring this

mantra to life, you must identify and implement the following six strategies:

1. **Orchestrate digital ecosystems and platforms:** Leaders report that digital platforms are on the rise, with the potential for advancements in revenue growth and profitability.
2. **Build trust to build your brand:** Platforms are also influencing the nature of brands, which must adjust accordingly. Trust is of the utmost importance.
3. **Reimagine customer behavior:** Leaders are reimagining the rapid shifts in customer conduct and personalizing their experiences using rapid design and get-to-market techniques.
4. **Curate data that "thinks" and "acts:"** Leaders are cultivating and curating a plethora of data, turning it into immediate and actionable insights. They are integrating "thinking" technologies.
5. **Create an exponential learning environment:** Exponential learning environments, both human and machine, across the entire organization use automated processes for self-learning.
6. **Foster a culture of inclusion:** Leaders can understand that bold moves can only be achieved by sharing a compelling vision and creating a united, inspired organization and ecosystem.

Low employee engagement, high bureaucracy, and low levels of trust are all roadblocks that make it difficult for companies to successfully implement the above strategies. Some 58% of people said that they trust strangers more than their own boss. If companies execute with excellence focusing on the right people, integrated processes, and up-to-date technologies, these roadblocks can be overcome.