OXFORD ECONOMICS

How Finance Leadership Pays Off

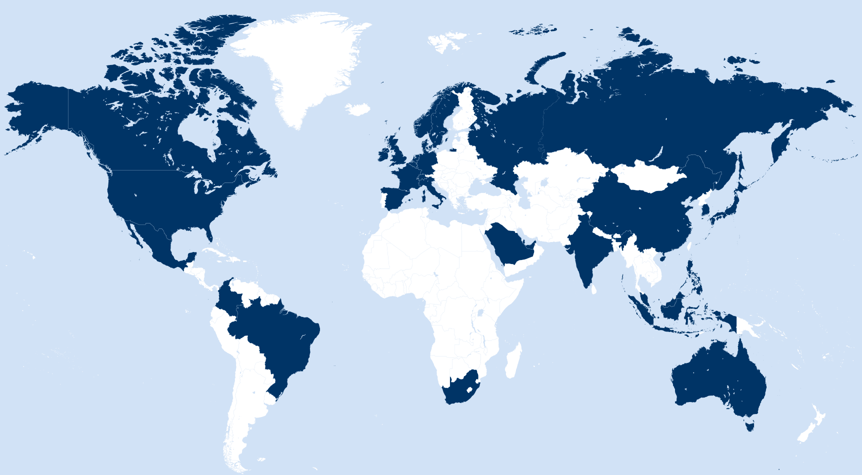
Six Ways CFOs Stay Ahead of the Pack

About this report

Oxford Economics and SAP conducted a global telephone survey during March and April of 2017. We reached 1,500 financial executives in the US, Canada, Brazil, Mexico, Colombia, the UK, Ireland, France, Germany, Italy, Spain, the Netherlands, Belgium, Luxembourg, Denmark, Sweden, Norway, Switzerland, Russia, Qatar, Saudi Arabia, the UAE, South Africa, China, Japan, Australia, India, Korea, Singapore, Malaysia, Indonesia, and the Philippines.

The survey covered the banking, retail, consumer products, utilities, public-sector, high-tech, insurance, manufacturing, and professional services industries, with 13% of responses in each of the first five. Nearly three-quarters (73%) of the executives we reached were CFOs; the next-largest group by title was president/EVP/SVP/VP of finance, at 7%; and the remaining respondents represented a broad mix of senior roles, including controllers, heads of procurement, and CTO/CIO/CISOs.

We also conducted in-depth telephone interviews with CFOs and other experts in the finance function at firms around the world. Our interviewees are quoted directly throughout this report, and we are grateful for their insights.



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1. Introduction

Finance teams today are working harder than ever before. The demands of the global and digital economy have multiplied the finance function's core responsibilities. At the same time, CFOs are expected to partner with their C-suite colleagues to shape long-term business strategy. When finance chiefs do their jobs well, they make a powerful impact, not only within their own department but also on their company's overall performance—amplifying their importance to the enterprise.

But surprisingly few CFOs give themselves high marks for effectiveness. Most see room for improvement in financial planning and analysis, a critical process for driving growth, and even in risk and compliance. **What do the high-performing minority—the Finance Leaders—do differently from the rest of the pack?**

We asked 1,500 CFOs and other senior executives around the world about their goals and challenges. Then, to see what we can learn from organizations where the finance function drives outstanding corporate performance, we **identified six traits that make a Finance Leader**, including excellence in core finance activities and strong influence over strategy. Only a select few, 11.5% of our survey respondents, qualified as Leaders. Yet our **results show these six practices boost business performance and efficiency, as well as governance, risk, and compliance (GRC) effectiveness across the company.**

We found that when the finance function is proactive in these six areas, it pays off. Finance Leaders are almost twice as likely as non-Leaders to report growing market share. They have a tighter grip on costs. And they make the most of technology innovations. According to our research, **Leaders are much less likely than non-Leaders to say outdated systems keep them from achieving their business goals.**

In today's business environment, competition appears suddenly—often in the form of disruptive new business models. Julian Whitehead, CFO of Airbus Defence and Space, notes that Tesla recently overtook Ford and General Motors in market capitalization, and his own industry must keep an eye on SpaceX, another Elon Musk creation. Such competitive challenges require CFOs to think of themselves as business people first and finance experts second, Mr. Whitehead believes. "If you're not on the business-winning side, if you don't understand how you can drive more value out of your portfolio, then you're not influencing the future, and you're not influencing the share price," he says.

Our research indicates that most CFOs have a golden opportunity to accelerate their companies' growth and enhance performance across the organization. The Calls to Action at the end of each chapter recommend ways to join the exclusive ranks of Finance Leaders.

Finance Leaders are almost twice as likely as non-Leaders to report bigger market share over the past year.

"If you're not on the business-winning side, if you don't understand how you can drive more value out of your portfolio, then you're not influencing the future, and you're not influencing the share price."

Julian Whitehead, CFO, Airbus Defence and Space

2. How Finance Leaders Boost Performance

Finance Leaders differ crucially from the majority by making a concrete impact on their organization's performance. They not only execute their daily transaction-focused activities with a high degree of competence, but also—and perhaps even more significantly—guide other business units' strategic decision-making. Finance Leaders:

1. Have strong influence beyond the finance function
2. Drive strategic growth initiatives
3. Improve efficiency with automation
4. Are very effective at core finance processes
5. Collaborate regularly with business units across the entire company
6. Work closely with the GRC team and excel at handling regulatory change

Although correlation doesn't necessarily prove causality, we found that at fast-growing companies, the finance function exhibits many of these traits. For example, enterprises with rapid top-line growth tend to have a high-profile, proactive CFO: **83% of respondents at companies where revenues rose by more than 5% over the past year say their finance function's influence and visibility has increased** across their organization, compared with 79% at those with 0.1–5% growth and just 70% of companies with falling or stagnant revenues.

David Craig, CFO of Sydney-based Commonwealth Bank of Australia, says his job includes acting as a close confidant of the CEO and an advisor to both the executive committee and the board of directors. As such, he directly influences long-term strategic planning, especially decisions on internal investments. "We invest around A$1.5 billion a year, mainly in technology," says Mr. Craig. "But I get bids for A$3 billion worth of great ideas every year, so I've got to choose where we spend. That has a pretty significant impact on how we then proceed over the next five years." Indeed, in our survey, 53% of finance executives in the banking sector named driving strategic growth initiatives as a top business goal, compared with 31% of respondents overall.

That may be one reason 27% of Finance Leaders are in the banking industry—more than any other sector we surveyed (see page 5). Perhaps because banks are so tightly regulated, our results show them far out on the curve in all six leadership areas. Technology firms represent the second-largest Finance Leader cohort, at 17%, with consumer products companies close behind. Utilities and insurance firms came in third, with each accounting for 10% of the Leader population. Not surprisingly, public-sector respondents are least likely to be Finance Leaders. Only 2% make the grade.

Fig. 1: How Finance Leaders boost performance

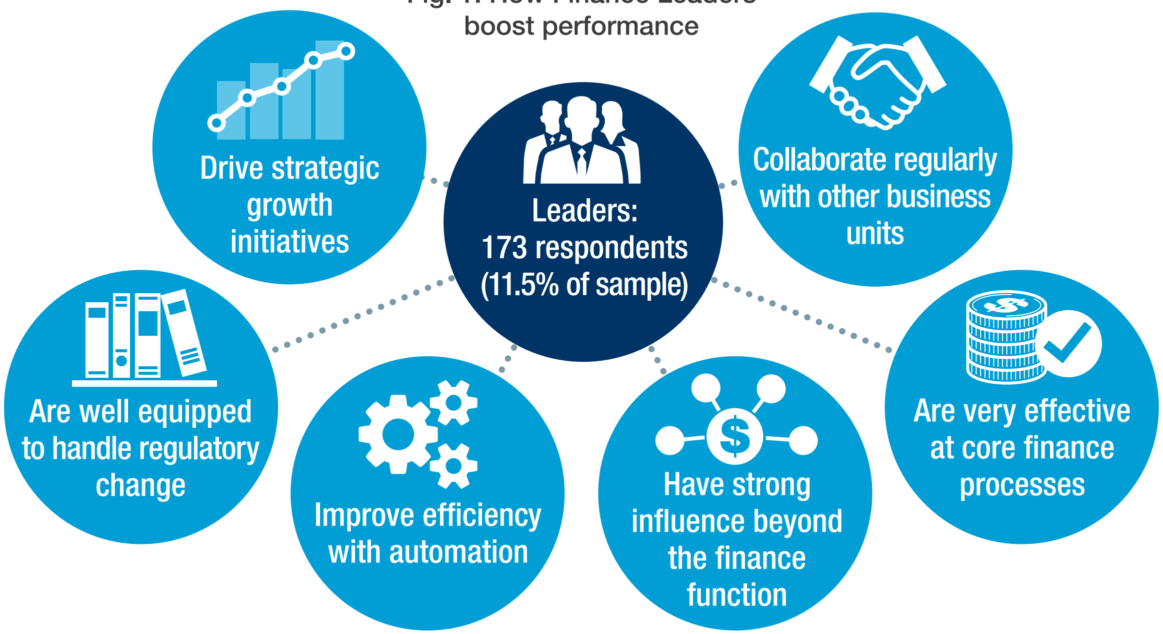
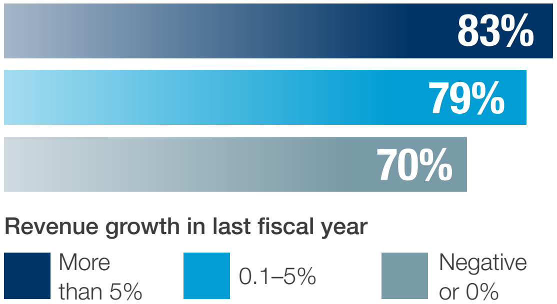


Fig. 2: Finance drives growth

"The finance function is increasingly visible and influential across my company."

"Agree" and "strongly agree" responses



Thanks to the highly developed economies of Australia and Japan, nearly half of all Finance Leader firms are headquartered in Asia. In fact, by country, Japan leads the US in terms of Leader representation, with 13% and 12%, respectively. Regionally, Latin America trails, with only 5%—undoubtedly pulled down in the Leader ranks by the turmoil in Brazil, its largest economy.

Not surprisingly, larger enterprises are more likely to be Finance Leaders than smaller ones, as bigger companies generally have more resources at their disposal to invest in state-of-the-art technology and performance management. Nearly two-thirds (62%) of Leaders report annual revenues of €5 billion to €20 billion—and an additional 17% had more than €20 billion in revenues or budget during their most recent fiscal year. Similarly, a large majority of Leader firms (84%) employ upwards of 5,000 people.

Who Are the Leaders?

The graphic below illustrates where most of the 173 Finance Leader organizations fall in terms of industry, region, annual revenue, and number of employees.

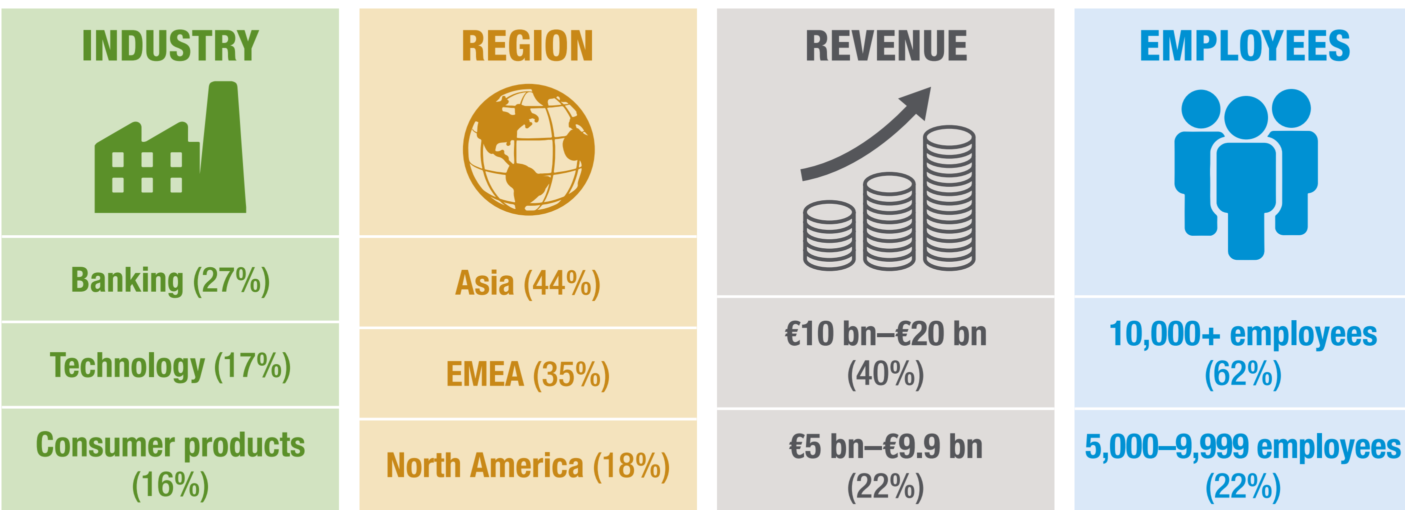
Leaders Nail the Basics

Another critical trait of Finance Leaders—excellence at core finance processes—is linked to robust profitability. While that correlation may shock no one, it's worth remembering that as the CFO's mandate expands, traditional finance activities still play a starring role in corporate performance.

According to our survey, 73% of respondents from companies with 5.1–10% profit margin growth rate themselves very effective at core accounting and closing, compared with 40% of those from companies with 0–5% profit growth. Highly-profitable enterprises are more than twice as likely to be very effective at travel and expense (T&E) management (45% versus 22%). And they're significantly more likely to consider themselves very effective at working capital optimization (49% versus 36%).

These workmanlike finance chores may not have the glamour of cooking up a new innovation strategy or finding the perfect acquisition target. Yet in terms of driving corporate performance, they are every bit as important.

Highly profitable enterprises are more than twice as likely to be very effective at T&E management.



Collaboration: The Magic Ingredient

Nearly all CFOs say their finance function collaborates closely with internal audit, risk management and compliance, and operations—areas where a strong finance presence is typically expected. Yet many fail to collaborate in business areas where they could make a big difference. That's a handicap in today's competitive environment.

Our results show that corporate performance improves markedly when finance breaks out of its silo. In fact, 46% of companies with zero or negative revenue and profit growth say an isolated finance function keeps them from achieving their business goals. That percentage shrinks to 28% among respondents whose revenues are growing by 5.1–10%. Alarmingly, a siloed finance function is more of a problem for the largest companies (33%) than for the smallest ones (16%).

But companies—even the big ones—can solve that problem. According to Deloitte Consulting LLP managing director Sam Parikh, who consults organizations on large-scale finance transformation projects, improvements in information technology, especially analytics, are helping finance executives work more closely with their internal customers—the business operating units. CFOs are reaching out and becoming more client-facing, he says. The relationship then becomes mutually beneficial. "Once the operating units see the power of analysis that finance can provide, they understand the value of the finance function, which in turn allows the CFO to play the strategy role more effectively," Mr. Parikh explains. "It's a win-win situation."

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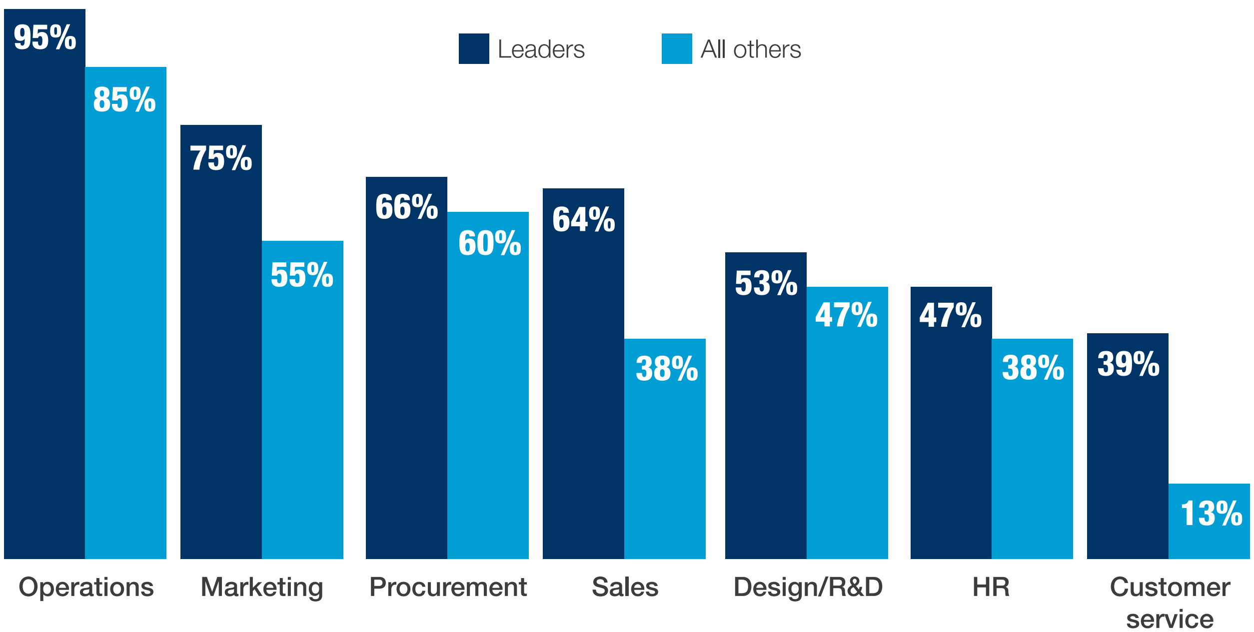
Sam Parikh, managing director, Deloitte Consulting LLP

Fig. 3: Where Leaders break the mold

Please indicate the level of collaboration, if any, your finance function has with the following business functions. "Collaborate regularly" and "Working with finance is a vital part of this function" responses



The 11.5% of survey respondents who qualified as Finance Leaders work closely with business areas where finance may not traditionally have been highly visible, including customer-facing functions such as marketing, sales, research and development, and customer service, where collaboration has a big potential payoff (Fig. 3, page 6). Their involvement in these areas could explain why 40% of our Leader respondents reported market share growth over the past year, compared with 21% of non-Leaders. Our results show **business performance notably benefits when the finance team exerts leadership in a wide range of areas**. At the fastest-growing companies (those whose revenues rose by 5.1–10% in the past year), 63% of respondents say finance has a strong influence over supply chain and procurement, compared with 49% at companies with 0.1–5% revenue growth. And 70% of the faster-growing companies report that finance influences innovation and new product development, vs. 53% at companies that are growing more slowly.

These responses put in tangible terms what CFOs and other experts have long intuited: To optimize performance, companies must ensure that the finance function exercises strategic leadership throughout the enterprise, with visibility and involvement in every part of the business.

Effective collaboration between finance and other functions is a hallmark of successful businesses. For example, a whopping 87% of companies with 5.1%–10% revenue growth say finance collaborates effectively with IT, vs. 65% of companies with revenue growth below 5%. And three-quarters of the fastest-growing companies report effective collaboration between finance and research and development, compared with 54% in the 0.1%–5% growth group.

If Finance Leaders are more collaborative, it's partly because their companies want them to be. More Finance Leaders than non-Leaders say their organization provides business analytics and training programs to encourage different units to work together productively. And **at the fastest-growing companies—those seeing revenues increase by 5.1–10% a year—senior leadership is much more likely to require collaboration between finance and other business units.** These executives see the connection between a collaborative finance function and business success, and they do all they can to inspire and enable it.

Calls to Action

- Identify where more insight and influence from the finance function could boost corporate performance.
- Find the pain points in finance's core business performance processes, such as accounting, closing, T&E management, and other basics. Prioritize fixing the areas where improvement would have the biggest impact on results.
- Engage with leaders across the enterprise to foster a culture of collaboration. Discuss how training programs, new tech platforms, and "tone at the top" could promote better cooperation between finance and all other parts of the organization.

3. The Impact of Efficiency

An inefficient business is like a bucket with a hole at the bottom, leaking productivity and profits. Finance executives everywhere try diligently to plug that hole, both in their own function and in other business units. Among our survey respondents, **52% cited improving efficiency across the organization as a top business goal**—the third most frequently named objective, after optimizing working capital (57%) and optimizing risk management and compliance (68%). Recapturing the value lost when employees do redundant work, or when rote manual chores consume unnecessary time, is among the fastest routes to better corporate performance.

The finance function itself is a prime candidate for streamlining and automating, as many of its core, transaction-focused tasks must be repeated period after period. Tony Klimas, partner and global finance practice leader at EY, describes the evolution of finance efficiency since the late 1980s and early 1990s, when companies began concentrating repeatable, transaction-intensive operations in low-cost shared service centers, frequently offshore. Now, he says, in a business model upheaval, these activities are again being performed onshore—but by robots.

In the popular imagination, robots are often associated with manufacturing tasks. However, today's robots are smarter than the mechanical ones devised for 20th-century assembly lines. Software based on machine learning and artificial intelligence, which leverage historical data and human decision-making, allows these digital assistants and bots to automate tasks that could not be automated before. Intelligent robots can reach conclusions and develop context-sensitive behavior—supporting the productivity of the finance professionals working alongside them.

"There's a huge upside," says Mr. Klimas. "People can get their back office running more smoothly than ever, which allows them to turn their attention to more interesting topics, like 'How do we have better insights? How do we help solve business problems?' and other strategic issues." He adds that his firm is experimenting with pilot programs in automation that could boost productivity in back-office, transactional operations by 30–40% over the next two years.

From Automation to Performance

Automating routine tasks was a criterion for qualifying as a Finance Leader in our study. As for respondents overall, 73% agree that **automation is improving the finance function's efficiency at their company, giving its executives more bandwidth for value-added tasks.** Our results suggest the rest are sacrificing growth. Among respondents whose revenues grew by 5.1–10% over the past year, nearly a third *strongly agree* that automation is improving their finance function's efficiency—twice as many as those with slower revenue growth. The responses of these fast-growing companies highlight the importance of automation in a strategically focused, value-driven finance function.

Leading companies draw **a straight line from efficiency to performance.** In banking, Mr. Craig points out, repetitive data input by human beings heightens the risk of errors, which infuriate account holders and require costly, time-consuming correction. "Automation delivers better service to the customer," he says. "It takes dreary, repetitive work away from staff. And the shareholder benefits because the organization is more efficient."

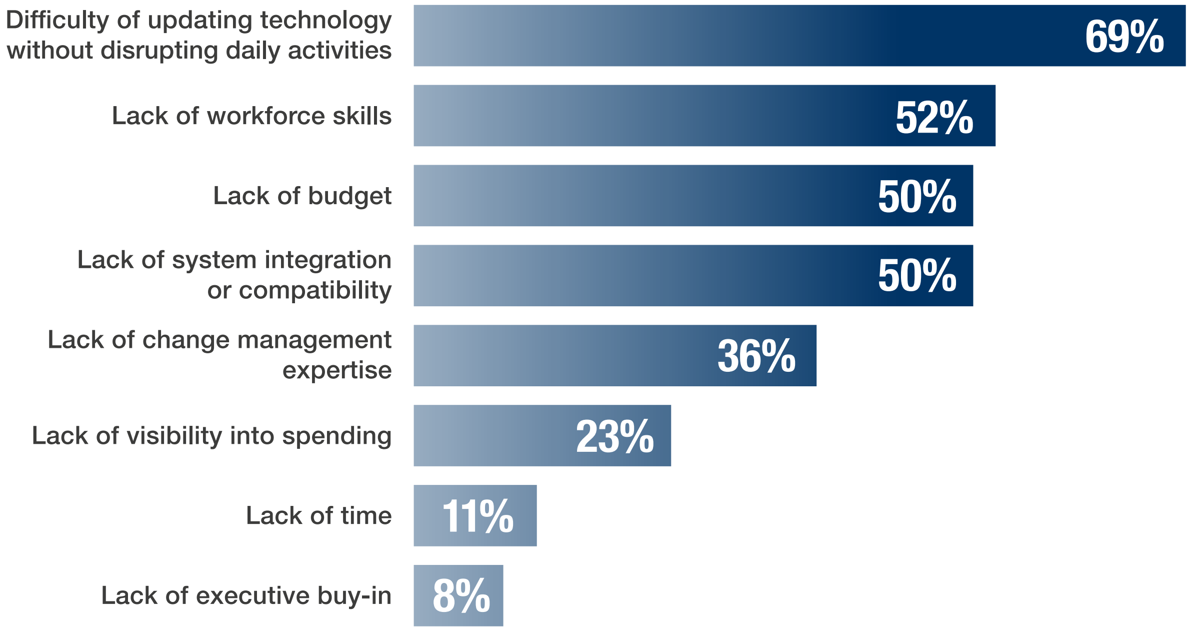
Companies with 5.1–10% revenue growth are twice as likely as slower-growing companies to strongly agree that automation improves finance function efficiency.

"Automation takes dreary, repetitive work away from staff, and the shareholder benefits because the organization is more efficient."

David Craig, CFO, Commonwealth Bank of Australia

Fig. 4: Innovating without disruption remains challenging

What are the biggest challenges to making your company's finance function more efficient? Top three ranked responses



With all these benefits, what keeps finance executives from enhancing their function's efficiency? According to our survey respondents, **the biggest obstacle is the difficulty of updating technology without disrupting daily operations** (Fig. 4). Insufficient workforce skills, lack of budget, and incompatible systems are all closely tied for second place.

Yet despite these roadblocks, 91% of our survey respondents say technology will be important to streamlining the finance function over the next three years. Among Finance Leaders, it is nearly unanimous: 98% agree.

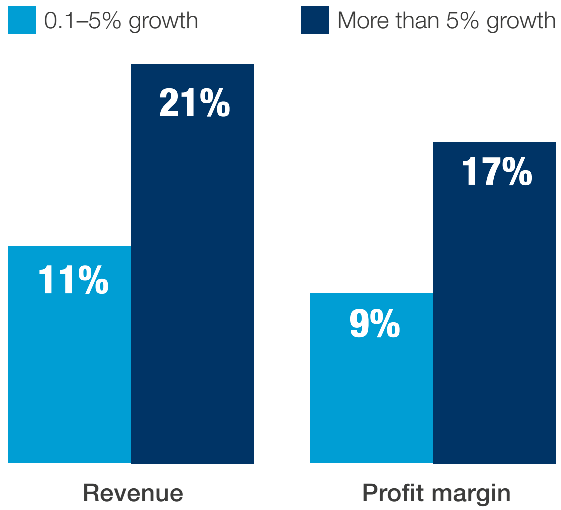
Interestingly, while leading CFOs are committed to boosting finance efficiency, they don't seem to be **reducing staff**. Finance headcount has remained steady over the past two years at 85% of respondent companies in our survey and fallen at only 3%. In a separate survey question, only 4% of respondents say automation is causing finance jobs to disappear at their organization.

In fact, the fastest-growing and most profitable companies are likeliest to report *higher* finance headcount (Fig. 5). Nearly twice as many companies with revenue growth of 5.1–10% as those with less than 5% growth say staffing in the finance function increased in the past two years. Similarly, almost twice as many respondents whose profit margin grew by 5.1–10% over the past year say finance has been hiring, vs. those with profit growth below 5%.

One explanation, say Mr. Klimas of EY, is that finance chiefs who lead an efficient function are redeploying their people in productive ways. "In the middle of an expanded, more complex role, and with all this technology coming at them, CFOs are also very concerned how to manage people, how to lead people, how to develop people," he says. Other experts predict that while in the short term, automation may allow the finance function to do more with less, in the longer run new technologies including blockchain and artificial intelligence will expand the function, because more will be expected of it.

Fig. 5: At the most successful companies, finance is hiring

Respondents who report growing finance headcount over the past two years



For example, many finance executives are already finding that thanks to their function's Big Data and analytics capabilities, colleagues from other parts of the organization are coming to them for advice and forecasts.

Mr. Whitehead at Airbus Defence and Space shares this view of finance's future. "Automation of reporting can be about efficiency first, but then, more importantly, it's about getting a better quality of information," he says. "Therefore, we get a better discussion around how we actually drive value for our business."

Effective Cost Control: "You Can't Manage What You Don't Measure"

It can be difficult to prove where technology delivers the most bang for the buck. But while correlation does not necessarily prove causality, our survey results suggest that strong profitability is tied to effective cost control—a cornerstone of organizational efficiency. For example, **companies with profit margin growth of 5.1–10% over the past year are more than twice as likely as less profitable companies to rate themselves "very effective" at T&E management.** Furthermore, these highly profitable companies are far more likely to say they find T&E spending analytics and supply chain analytics extremely or very useful.

As the late business consultant and thought leader Peter Drucker famously said, "You can't manage what you don't measure." Finance Leaders understand the link between superior financial performance and cost control. They are significantly more likely than non-Leaders to use analytics to understand their organization's spending trends in T&E, procurement, and supply chain (Fig. 10, page 15). Perhaps as a direct result, our survey found that fewer than half (42%) of Finance Leaders name rising costs and wages as a top-three business risk facing their organization in the next two years, compared with 60% of non-Leaders.

Efficiency is about more than cutting costs. It's about freeing resources—whether personnel or cash—and investing them for long-term growth. When companies find the best tools to enhance efficiency, both within and outside the finance function, the whole organization benefits.

Calls to Action

- Work with IT to build a business plan for innovating the finance function without disrupting daily activities. A flexible approach can minimize business interruptions while improving efficiency.
- Consider where automation and emerging technologies can enhance efficiency in core transactional activities by relieving staff of manual, repetitive tasks.
- Leverage Big Data analytics to convert the massive volumes of expense information the finance function receives into actionable insights.

4. Finance and Risk Management: Partnering for Productivity

As the CFO role continues to stretch and evolve, one central responsibility remains a sacred trust: a major stake in governance, risk management, and compliance (GRC). The exact size of that stake naturally depends on the industry and company in question. Still, **optimizing risk management and compliance is considered a top business goal by 68% of the finance executives** who participated in our survey, cited more often than any other business objective. Almost all respondents (97%) say that at their company, finance has strong decision-making authority over risk monitoring and assessment, and 93% say the same about ensuring compliance and enforcing policies. “Compliance can be a massive value destroyer if you get it wrong,” says Mr. Whitehead.

In this area, too, Finance Leaders differ from non-Leaders. Remarkably, **only 40% of respondents rate their organization’s GRC function as very effective. The percentage climbs to 57% among Finance Leaders**, for whom close collaboration with risk management and a high level of preparedness for regulatory change were qualifying criteria (Fig. 6). Yet Leaders stand out in in another way: Whereas 70% of non-Leaders say optimizing risk management and compliance is among their top three business goals, just 52% of Finance Leaders do. **These results suggest that highly effective GRC processes help the CFO drive performance by pursuing strategic growth initiatives**.

For example, Brian Stief, CFO of Johnson Controls, considers enterprise risk management (ERM) his role’s second most critical mandate, after his fundamental responsibility for financial performance, investor relations, and capital allocation. At his company, says Mr. Stief, “each risk has a sponsor, an owner for the activities that mitigate the risk.” His piece of ERM includes compliance and internal controls, on which he reports to the Johnson Controls board. “When it comes to the board’s oversight of a company, enterprise risk management is first and foremost in their minds, and it extends to more than just the risks of the business strategy,” he explains.

“When it comes to the board’s oversight of a company, enterprise risk management is first and foremost in their minds.”

Brian Stief, CFO, Johnson Controls

Fig. 6: Finance Leaders view risks more clearly and manage them more effectively

Regulation’s Double Whammy

Regulatory compliance remains a top-of-mind issue for CFOs, and it’s a twofold challenge. First, organizations need to manage the risk from evolving regulations that affect their operations and swell the cost and labor of compliance. More than three-quarters of our survey respondents—77%—said **regulatory changes and compliance challenges had added complexity to the finance function over the last two years**.

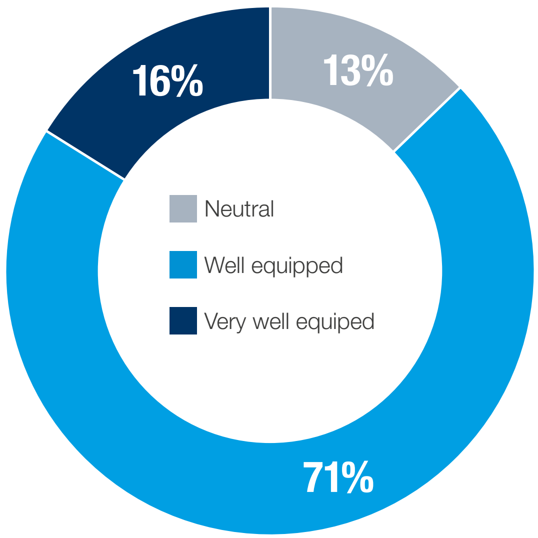
Mr. Klimas at EY points out that with business model transformation roiling virtually every sector of the economy, regulations are bound to shift, and perhaps tighten, as cautious regulators try to stay abreast of a dynamic situation. “Whether it’s the connected car, or online shopping, or the way we deliver healthcare—all these industries are undergoing tremendous change, driven by digital technology,” he says. “Regulators will always be active and focused on protecting their stakeholders, and CFOs are in the middle of ensuring compliance.”

Second, the finance function must deal with known or impending regulations, like new reporting rules for revenue recognition and changes in local tax rules. Although 71% of our survey respondents say their finance function is well equipped to adjust to such new regulations, a scant 16% describe it as *very* well equipped (Fig. 7). Automation can make a difference here, experts say, again by minimizing the risk of human error and making routine compliance tasks more efficient.

At the same time, notes Sam Parikh of Deloitte Consulting LLP, as CFOs entrust more transactional operations to emerging technologies such as robotics automation and artificial intelligence, finance must work closely with GRC to manage the new related risks. For example, companies—and regulators—

Fig. 7: Compliance management has room for improvement

How well equipped is your finance function to adjust to and manage compliance with new regulations, such as IFRS 15 and 16, ASC 606, and local tax changes?



will have to figure out how to audit “bots” and control the risks of a cyberattack. As a result, Mr. Parikh sees GRC becoming more focused on risk management. “When you think about the finance and GRC interaction, I think that interaction is evolving and becoming critical to the overall success of an organization,” he says.

The prospect of an expanding risk universe created by digital processes underscores the importance of seamless communication between the finance and risk functions. Indeed, our survey results show that **close collaboration between finance and GRC already boosts performance.** Nearly half (46%) of respondent companies with profit margin growth of 5.1–10%

Companies with profit-margin growth of 5.1–10% are more than twice as likely as less profitable companies to say their finance and GRC functions collaborate on an ongoing basis.

say their finance and GRC functions collaborate on an ongoing basis, compared with 22% of those with slower-growing profits.

Experts say both functions benefit from closeness. In the classic “three lines of defense” approach to risk, the first line is executive management of the function that owns the risk; the second is oversight by the specialized risk and compliance functions; and the third is independent assessment from internal audit. With finance in the first line of defense and GRC in the second, the whole risk management process clearly becomes more effective if the two functions can easily share data and reporting. Companies can build a strong foundation for such sharing and collaboration by making sure the business systems that support each function are integrated.

“Regulators will always be active and focused on protecting their stakeholders, and CFOs are in the middle of ensuring compliance.”

Tony Klimas, partner, EY

The Cyber Threat

By damaging stakeholder trust, data breaches and system hacks threaten brand identity and shareholder value, as recent attacks against large organizations worldwide have shown. In mid-May, for example, a ransomware virus infected hundreds of thousands of computers, including at Deutsche Bahn, Renault, and PetroChina, whose users had failed to download a Windows security patch. According to a frequently cited study by the Ponemon Institute, cyber attacks can cause the target company's stock price to fall as much as 5% on the day investors become aware of the issue—and the costs of disruption to operations can be staggering.

Oddly, just 56% of our survey respondents overall named data and privacy breaches among the top risks facing their business over the next two years (Fig. 8). Cybersecurity may represent a dangerous blind spot in finance and risk management for many companies, and failure to address it promptly could pile on new risks.

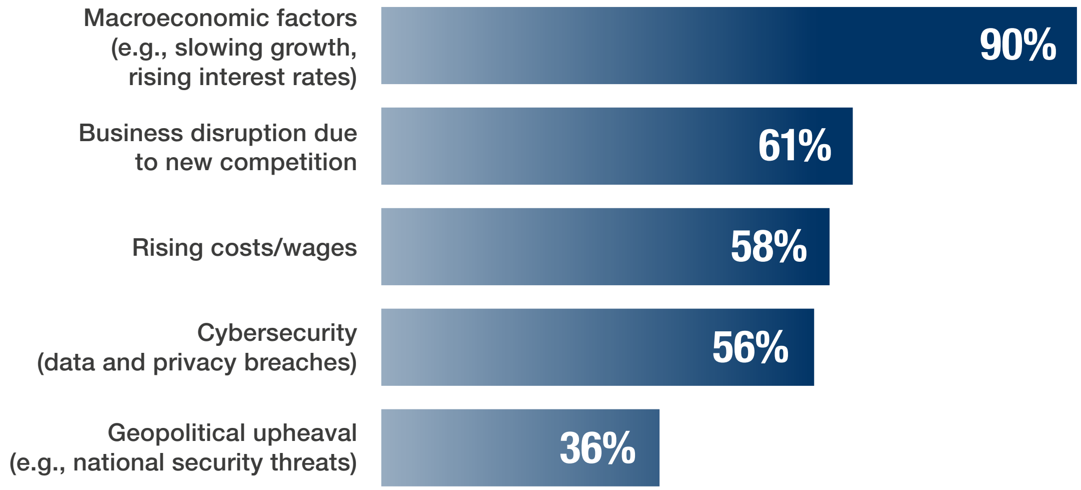
Finance Leaders are far more likely to appreciate the threat of cyber crime: 68% name it as a top business risk, compared with 54% of non-Leaders. And, perhaps not surprisingly, financial executives in the banking sector also place higher priority on managing cyber risk; among banking respondents, 76% call it a top business threat.

CFO David Craig of Commonwealth Bank of Australia explains that trust and security lie at the heart of his company's brand. It's simple, he says: Account holders don't want to get robbed. "In the good old days, the banks were the building with the big columns, giving the impression of safety," says Mr. Craig. "Nowadays, it's all about how strong your cybersecurity is."

Yet only 46% of the risk and compliance chiefs who responded to our survey cited cyber threats as a major business risk for their companies—even fewer than CFOs, at 54%. Those results suggest that the finance and GRC functions may both need to put more resources into managing cyber risk.

Fig. 8: Is cybersecurity a risk management blind spot?

Where do you see your company's biggest business risks coming from in the next two years?
Top three ranked responses



Ultimately, finance executives must concern themselves with any risk that could potentially rob the organization of value. That responsibility is what makes collaboration between the finance and risk management functions so important to the effective performance of both.

Calls to Action

- Encourage collaboration between the finance and risk management functions by ensuring they can easily share standardized data and reporting.
- Ensure that the business systems supporting finance and risk management can talk to each other. Consider where integration could make the two functions more effective.
- Align finance and risk management leadership in taking necessary precautions to safeguard the organization against cyber crime.

"In the good old days, the banks were the buildings with the big columns, giving the impression of safety. Nowadays, it's all about how strong your cybersecurity is."

David Craig, CFO, Commonwealth Bank of Australia

5. Tools to Sharpen Performance

Finance Leaders understand the payoff from collaboration with all their organization's disparate parts, and they are unusually clear-eyed about emerging risks. Similarly, they are realistic about the growing demands on the finance function. Among the starkest ways that Leaders differ from other respondents is in their appreciation of their job's mounting complexity. Only 19% of non-Leaders believe the finance function is much more complex than it was two years ago—but at 65%, more than triple the percentage of Finance Leaders agree.

They also know that executives can't create finance collaboration by snapping their fingers, and that embedding finance into an organization's disparate parts requires digital tools. Finance Leaders are significantly more likely than non-Leaders to say technologies such as cloud-based applications, Big Data, and real-time analytics are critically important to the finance function's successful performance today, and to predict they will remain critically important in the future (Fig. 9). Among those who do, nearly all say cloud-based apps are critical to optimizing working capital; real-time analytics are critical to driving strategic growth initiatives; and predictive analytics are critical to improving efficiency across the organization.

Finance Leaders don't just rely on the digital aids already in common use. **They are tech pioneers, recognizing that today's emerging technologies are tomorrow's core tools.** Leaders are at least three times more likely than non-Leaders to say the Internet of Things, blockchain, and artificial intelligence are important to the finance function's successful performance today. In fact, our research shows that the further out one goes on the technology innovation curve, the wider the gap between Finance Leaders and other respondents.

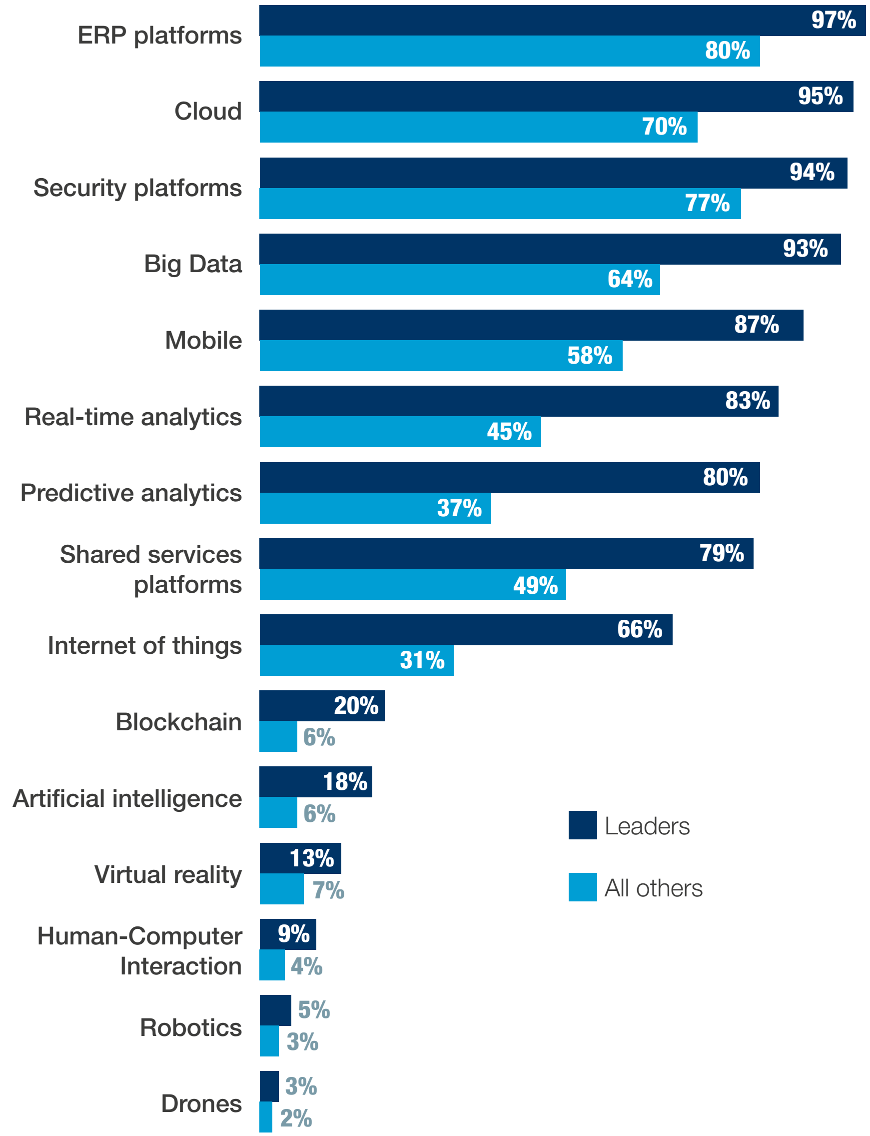
For Leaders, mature technologies like ERP platforms and the cloud have been must-haves for some time, and they are exploring what the next wave of technology can do for their business. For example, CFO Brian Stief says, "I think data analytics is going to be extremely important to the finance organization going forward, and to Johnson Controls' customers who have the responsibility for operating buildings in the most efficient, effective manner."

"I think data analytics is going to be extremely important to the finance organization going forward."

Brian Stief, CFO, Johnson Controls

Fig. 9: Finance Leaders leverage emerging technologies

Please rate the importance of the following technologies to your finance function's successful performance. "Critically important" and "Very important" responses



Getting to Truth

But if digital finance transformation isn't done right, it can cause headaches instead of relieving them. The overwhelming majority of our survey respondents—96%—say that **increasing amounts of data have added complexity to the finance function over the last two years.** In fact, proliferating data tops the list of trends that aggravate complexity. Regulatory change comes in a distant second, cited by 77% of respondents.

The real issue, according to CFO Julian Whitehead of Airbus Defence and Space, is more incompatibility than quantity. "The amount of data is phenomenal," he admits, "but what's worse is the lack of harmonization. Unstructured data is what kills you. The key for me is how do I get back data in a usable and consistent form, such that the business can look at it, understand where the value chain is, and make decisions."

Mr. Whitehead has plenty of company in his assessment.

David Craig at Commonwealth Bank of Australia says he is building a new database, containing what he calls **best-in-class finance and risk information, to provide a "single source of truth"** across the whole group globally. In Mr. Craig's opinion, few organizations have conquered Big Data completely, in the sense that they can wring useful insights out of their information troves.

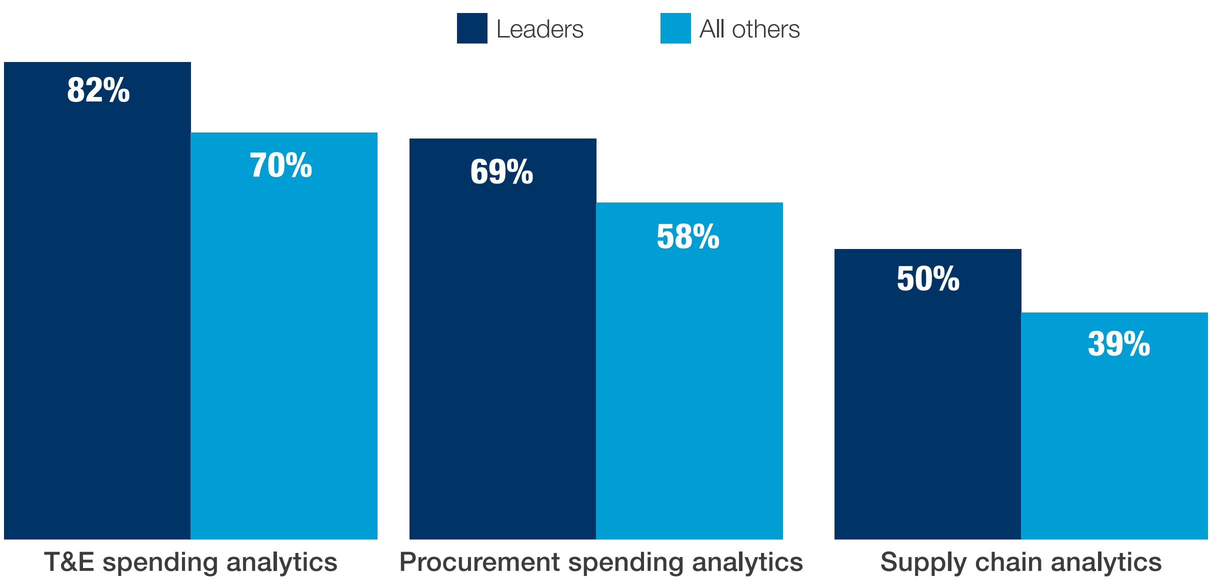
And Sam Parikh, managing director at Deloitte Consulting LLP, cautions that financial planning and analysis can only be as good as the available data. "FP&A is your forward-looking function," he explains. "It interacts with all the different operating units, gathers data and analyzes trends, and decides what's next." If data or information systems are subpar, the function gets bogged down in trying to ensure accuracy. "You're now spending more time reconciling the information than focusing on forward-looking analytics," says Mr. Parikh.

96%

of finance executives say proliferating amounts of data have made their jobs more complex.

Fig. 10: Finance Leaders are significantly more likely to use analytics

Please rate the usefulness to the finance function of the following data and information sources.
Top-two box scores



Data may complicate CFOs' lives, but it holds valuable potential for boosting performance. In fact, our research shows that **the ability to leverage data correlates with financial success.** Among respondent companies with 5.1–10% profit margin growth, 82% say they find T&E spending analytics extremely or very useful, compared with 67% of those with slower growth and 62% of those with zero or falling profit growth. And 49% of respondents whose profit margins are growing by 5.1–10% say they find supply chain analytics useful, vs. 38% in the 0.1– 5% profit growth range and 35% of those with zero or negative profit growth.

The challenge for CFOs on the technology front, according to EY partner Tony Klimas, is to make the business case for new investments. "There's a lot of hype around some of these technologies," he says. "You can only invest in so many things, and it's important to make the right choices." Finance executives who recognize the pain points in their function—and the untapped opportunities in the reams of data they receive—have an ever-bigger digital toolkit at their disposal.

Calls to Action

- Diagnose whether your finance data is usable, timely, accurate, and relevant, so it can inform intelligent decision-making across the enterprise.
- Educate yourself on next-generation innovations such as artificial intelligence, blockchain, and the Internet of Things that have the potential to transform the finance function's effectiveness and strategic influence.

82%

of companies with 5.1–10% profit margin growth find T&E spending analytics useful, vs. **62%** with zero or falling profit margin growth.

"The amount of data is phenomenal, but what's worse is the lack of harmonization. Unstructured data is what kills you."

Julian Whitehead, CFO, Airbus Defence and Space

6. Conclusion

In an era of morphing business models, and even fundamental shifts in the way capitalism is practiced around the world, no universal formula can guarantee a CFO's success. Every country, every sector, and every organization dictates its own parameters for how an individual finance function operates. Nevertheless, our research demonstrates a clear correlation between strong finance leadership and strong enterprise performance—regardless of geography, industry, or company size.

Finance executives who want to make sure their hard work delivers tangible results can take these steps to become Finance Leaders:

- Boost your organization's **performance** by ensuring all parts of the business benefit from the finance function's insight and influence.
- Maximize **efficiency** by automating core transactional processes, giving finance executives more bandwidth for value-added tasks.
- Optimize **risk management** by prioritizing strong alignment between finance and the GRC teams in the areas of controls, compliance, and audit.
- Use analytics and other **digital tools** to decrease data complexity, and explore emerging technologies to give your finance function a competitive advantage.

For more information, please visit sap.com/CFO

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