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Finance redefined

Workday global finance leader survey

About the Workday global finance leader survey

We surveyed more than 670 finance leaders to get their perspectives on the future of the finance function and finance leadership. Over one-third (38 percent) came from large organizations of more than $1 billion annual revenues, with 35 percent between $500 million and $1 billion, and 27 percent between $250 million and $500 million.

Over one-third of respondents were chief financial officers (CFOs), finance directors, or chief accounting officers/controllers. The remaining were drawn from senior finance roles, such as head of financial planning and analysis or vice president of financial operations. Respondents were split across the Americas, Europe, Asia Pacific, and South Africa, and 10 main sectors were covered.

Introduction

Enterprise value = quality of business insight

In a connected world, the demands on finance leaders are unrelenting. Financial news and market rumors spread instantly across the globe, with the media and investors reacting immediately to information on financial performance. Chief executive officers (CEOs) expect rich, forward-looking insights from finance so they can manage risks, spot new opportunities, and weather economic shocks and volatility. The current and future value of the enterprise—and the quality of its insights—are now linked.

Unfortunately, many finance functions are still unable to deliver that insight. Digital efforts to transform the function have not gone far enough. Technology adoption lags behind other corporate functions, such as marketing or human resources (HR). As a result, finance can be perceived as a "traditionalist" team rather than an innovative groundbreaker. Many finance teams are still occupied with traditional, transactional tasks or spend most of their time gathering data rather than analyzing it.

How can finance leaders get on track with digitization? Based on our research findings and our experience working with finance leaders and experts, we believe there are four priorities that will ultimately redefine finance:

This report examines each, providing a valuable road map for leaders seeking to combine the best finance talent with the best finance technology and successfully redefine the finance function.

Four priorities to redefine finance

Managing risk and change proactively

REDEFINE RESILIENCE

No.1 — "Integrating finance and non-finance data" is the major roadblock between finance and its analytics ambitions

39% — of finance leaders say they are highly confident about managing their top risks

Harnessing the power of data

REDEFINE INTELLIGENCE

26% — Only one-quarter of finance teams are making extensive use of self-service data

No.1 — "Growing regulatory scrutiny" top of the risk agenda for finance leaders.

Forging a better partnership with the business

REDEFINE LEADERSHIP

6% — say they enjoy a seamless collaboration with both their chief information officer (CIO) and chief human resources officer (CHRO) counterparts

68% — say that effective chief information officer (CIO)–chief financial officer (CFO) collaboration is limited because they "don't speak the same language"

Identifying the talent needed in the future

REDEFINE TALENT

No.1 — "Lack of relevant skills within the finance team" is the number one barrier to finance function innovation

71% — say they face tough competition to recruit the best analytics and digital talent

Resilience redefined

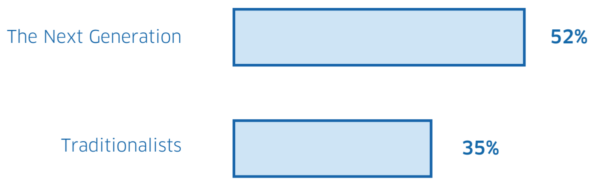
For finance leaders, volatility is business as usual—they face an increasingly scrutinized and disrupted landscape. The top risks keeping finance leaders up at night are:

Digital disruption: “next-generation” finance executives versus “traditionalists”

Our research shows that while the pace of technology change is a concern for all, digital disruption is front of mind for what we term our “next-generation” finance executives. These are survey respondents age 39 or younger who have significant business experience in roles outside finance. As Figure 1 shows, this group is much more likely to be concerned about fast-changing technology than the group we call “traditionalists”—respondents age 50 or over who have spent most of their career within the finance function.

The next-generation respondents clearly believe it is important that their organizations keep pace with the latest digital innovations, seize growth opportunities, and drive further performance improvement. This perhaps reflects the fact that younger generations are more aware of the impact of new technologies, and more impatient for their organizations to keep pace with emerging developments.

Figure 1: Next-generation finance executives identify the pace of technology change as a key risk.



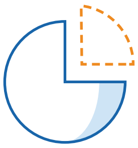
Lack of data undermining confidence and resilience

While these risks are front of mind for finance executives, only 39 percent are highly confident about their ability to manage their top risks.

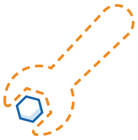
We wanted to understand what was preventing organizations from having complete confidence and the resilience to manage existing and emerging risks. When we look at large, complex organizations, we find that lack of meaningful data is the main barrier to improving risk management (see Figure 2).

For many organizations, valuable data that could transform risk management is trapped in legacy systems and organizational silos. Few organizations can seamlessly access that data, combine it with external data sources, and build the data models and predictive capability to transform their approaches. When we look at medium-size enterprises, we find that systems issues are the major barrier to improved risk management. The number one barrier for this segment is a "lack of systems and technology to simplify the audit process."

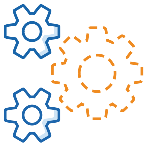
Figure 2: Top three barriers to improving risk management in large enterprises.



1 We lack the data and information to uncover the risks.



2 We do not have the knowledge and skills to manage new and emerging risks.



3 Our incentives are not aligned with risk objectives.

RESILIENCE REDEFINED: KEY ACTIONS

A huge volume of data flows through organizations today. The company that can harness that data—and analyze it effectively—can make a step toward changing its ability to manage risk. For example, companies can use predictive analytics to assess which customers are more likely to pay their invoices on time—an area that can have a significant impact on cash flow.

To move forward, finance leaders need to ensure they have the systems and data management approaches that allow them to identify the right data, ensure it is of high quality, and get it into the hands of people who need to make key risk-based decisions. Of course, having access to the data is not the end of the story. Organizations will need the skills to analyze data and build risk analysis models, as well as a culture that prioritizes data-driven risk analysis. This requires senior leaders—including CFOs—who are prepared to stand up and evangelize for risk analysis. Finance leaders who walk the talk will be critical to redefining resilience.

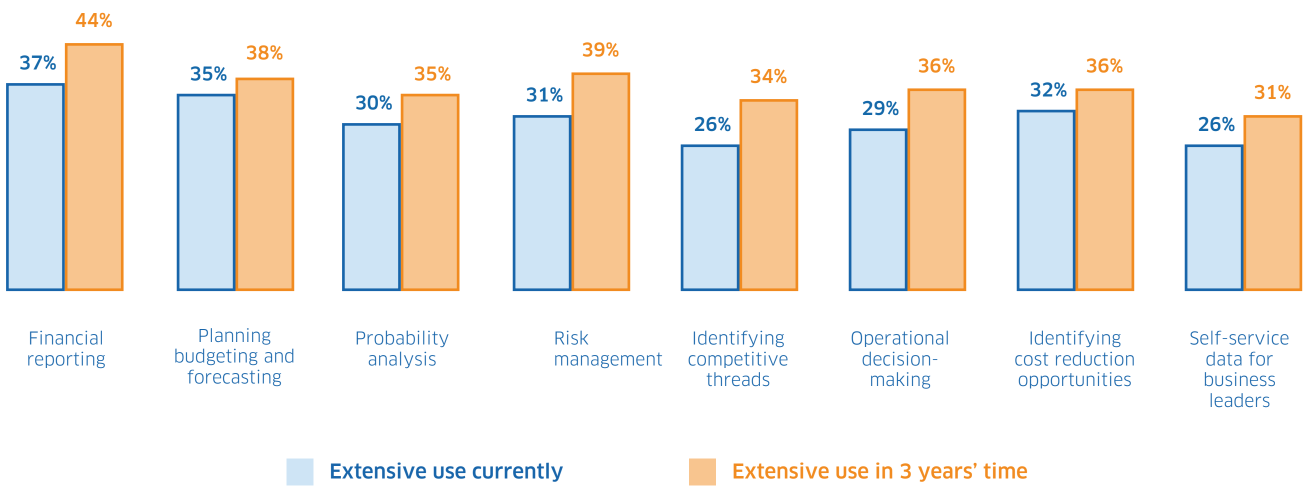
Intelligence redefined

In the data economy, data and the intelligence it can provide have become significant competitive weapons. Functions such as marketing are using data to transform the customer experience and deliver increasing personalization. Business leaders are creating new revenue streams by offering data-driven services on top of their products.

For the finance function, advanced data analytics can transform core responsibilities. It can make revenue forecasting more sophisticated and accurate. Combining finance data with non-finance information (such as consumer data or data from other corporate systems) can create new insights and feed into scenario planning. But while other functions, such as marketing, might be on the forefront when it comes to analytics, this is not true of all finance teams.

For example, as Figure 3 shows, only 35 percent of respondents are making extensive use of advanced analytics in key finance areas such as planning, budgeting, and forecasting, and this does not increase significantly in three years' time. Most finance functions see themselves making "moderate" or "limited" use only.

Figure 3: Finance functions making extensive use of advanced analytics: today versus three years' time.



The challenge of integrating finance and non-finance data

When we look at some of the challenges that are preventing finance functions from making more use of advanced analytics, the top three are:

First

Challenges in integrating finance and non-finance data

Second

System inefficiency, requiring teams to spend significant time aggregating and reconciling data

Joint Third

An organizational culture that is focused on intuition rather than data-based decision-making

Concerns over data security and privacy

Non-financial information covers many areas, from customer data to operational data, such as point-of-sale or insurance claim data. Because of the nature of these data types, significant challenges need to be overcome.

- Non-financial information will often be unstructured or semi-structured compared to routine, highly structured financial information and may require significant transformation to use.
- Organizational and technology silos may make accessing non-financial data difficult.
- Non-financial data—such as customer information—will often be governed by specific regulatory requirements about how it can be used.

To address this issue, finance needs to understand where combining financial and non-financial data can add value. This means defining what questions you want to ask of the combined data. With a clear picture of where value can be added and the insights that can be gleaned, finance leaders can build an investment case for the IT systems, analytics tools, and analytics capability that will be required.

A culture of data-driven decision-making: next-generation finance leaders versus traditionalists

Our research again shows a significant divide between our next-generation and traditionalist finance executives. The next generation names "an organizational culture that is focused on intuition rather than data-based decision-making" as the number one challenge standing in the way of their organization's analytics ambitions. For traditionalists, it is the eighth and lowest-ranked challenge.

This divide probably reflects the fact that the traditionalist cohort will have spent much of their career in an environment where there was less rich information and advanced analytics capabilities available. Intuition and experience will have governed much decision-making. In today's data-rich world, organizations need a balance between both points of view—in other words, augmenting the experience and expertise of senior decision-makers with powerful data insights. This combination of strengths will be more powerful than placing a higher value on intuition over everything else.

INTELLIGENCE REDEFINED: KEY ACTIONS

To move forward with data intelligence, finance leaders need to ensure that their team plays a key stewardship role in enterprise data. This involves working closely with IT to transform systems, unlocking data that is confined to organizational silos and legacy systems. Beyond systems transformation, it is also about identifying which datasets—finance and non-finance—are most valuable to the organization. With that clear picture, finance can work with other teams to build trust in the quality of those datasets. In this way, reliable, robust data is used to redefine enterprise intelligence.

Leadership redefined

Of all the C-suite roles, the CFO is the one that has arguably changed the most over the past several years. Today, finance leaders have a wide remit and often play a key strategic role in the organization. They are largely seen as the de facto number two to the CEO, and their team plays a central role in driving data-driven decision-making across the enterprise.

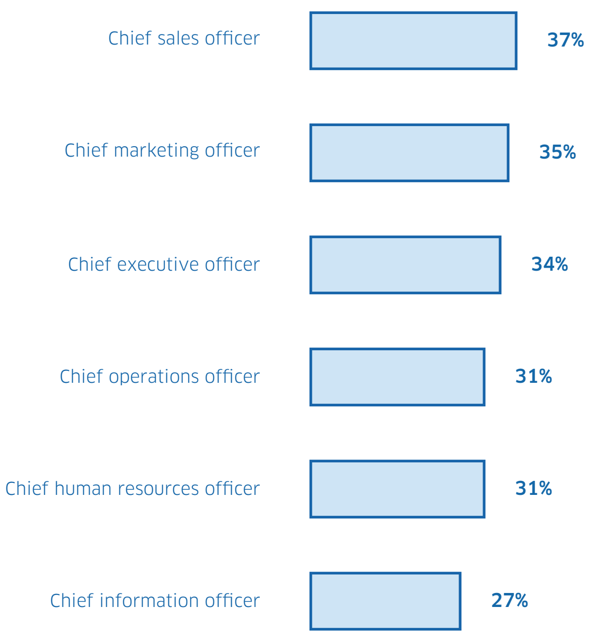
With that heightened profile, finance leaders must define and build effective relationships with other members of the C-suite—from IT to HR and marketing to operations. This means collaborating with people who have different work styles, perspectives, and priorities. To avoid miscommunication and misunderstanding, finance leaders need to understand these different styles and build an effective working relationship. In our view, there are two priorities: first, building effective collaboration across the span of the C-suite, founded upon data-driven decision-making; and second, placing particular focus on the relationship among the chief information officer (CIO), and chief human resources officer (CHRO).

Priority one: building effective collaboration across the span of the C-suite

More than ever before, finance is being challenged to arm the organization with strategic insight and the foresight to seize opportunities and manage volatility and risk. To do that effectively, the finance team must communicate and collaborate with a wide range of stakeholders. Effective C-suite collaboration is a must.

In our research, we looked at the strength of the relationship between finance leaders and other members of the C-suite, asking them if they enjoy "seamless collaboration, with both leaders aligned on common goals." As Figure 4 shows, we found that only about one-third feel they enjoy a seamless collaboration with key C-suite peers. CFO-chief sales officer relationships were seen as seamless by 37 percent of respondents, but only about one-quarter see CFO-CIO relationships in such a positive light. Overall, more needs to be done to move finance beyond its siloed past and into a more collaborative future.

Figure 4: CFOs who feel they collaborate seamlessly with their key C-suite peers.



Different styles of working will inevitably play a role in building relationships and collaboration. For example, while some are more analytically minded, others lead with their creativity. These differences in style need to be embraced to avoid problems.

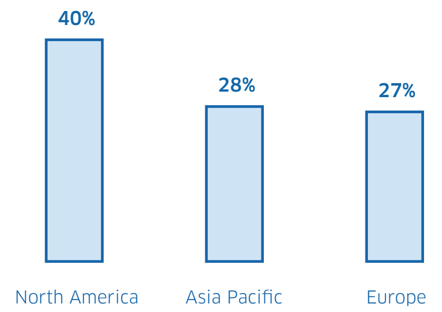
Making sense of complexity: effective CFO and COO co-leadership through data insight

CFOs and chief operations officer (COO) may have different titles, but they share common objectives. In a digital world that offers both great opportunity (through business model innovation) together with increasing risk (through cyber threats), these leaders must identify where growth is going to come from as well as their areas of greatest concern.

That is a significant challenge, and collaboration between the CFO and COO in order to gain insight will be critical. Organizations need to combine their financial information with operational data to answer important business questions quickly and accurately.

Our research shows that less than one-third of organizations (31 percent) believe there is seamless collaboration between their finance and operations leaders, with around 1 in 5 (19 percent) saying that there is little to no collaboration. As Figure 5 shows, organizations in North America are more likely to see a positive CFO–COO relationship.

Figure 5: Companies that report their CFO and COO enjoy “seamless collaboration with both leaders aligned on common goals.”



To exploit the combination of finance and operations data, CFOs need to build their relationship with their peers in operations. As part of this, they need to agree on the metrics and performance indicators that will focus their data insight efforts. While each has their own departmental Key Performance Indicators (KPIs), they need to establish the common performance indicators that will allow them to collaborate and effectively manage opportunity and threat.

But as well as that "soft" principle, there is a critical "hard" principle. CFOs need to ensure that all leaders are empowered in their decision-making through the availability of real-time data and insights on both financial and operational performance. This data should then be shared with other decision-makers across the organization.

Finance leaders should champion data-driven decision-making and push for its use in other areas of the business—from operations to corporate strategy.

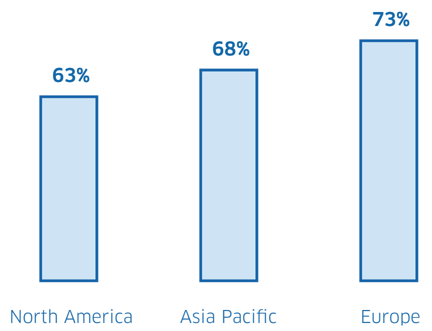
Relationship challenges between finance and IT present a threat to digital innovation

There is consensus that the CFO and CIO need to have a strong working relationship. In our research, around three-quarters of respondents (74 percent) say that CFOs and CIOs need to collaborate to drive IT innovation in the digital economy.

However, we found that significant challenges threaten to undermine this critical relationship.

- Sixty-eight percent say that effective collaboration between CIOs and CFOs is limited by the fact that IT and finance don't speak the same language—meaning terminology and jargon specific to a particular functional domain. However, the language issue also reflects a function's specific priorities. For example, communicating effectively with finance means understanding the importance of control and compliance to the function and the role it plays in the function's mind-set.
- Sixty-six percent say that IT executives are reluctant to collaborate with their finance peers.
- Over half—55 percent—say that the relationship between finance and IT leadership is characterized by tension and disagreement. For example, the two leaders may clash over finance's desire to pounce on any hint of overspending and IT's desire to invest in new technology assets.

Figure 6: Respondents who agree that "effective collaboration is limited by the fact that IT and finance do not speak the same language."



Establishing effective communication between the two leaders and their teams could include inviting finance team members to collaborate on an IT project, or vice-versa. This can help increase understanding of each other's fields. The CFO and CIO can also establish common ground together by identifying strategic areas and projects for collaboration. This would include identifying the technology investments that are required to support the organization's growth strategy.

Priority two: building relationships among CFOs, CIOs, and CHROs

To keep pace with the demands of the digital economy, collaboration is critical across three key assets of the company: capital, technology, and people. With a clear vision of the company's digital strategy, CFOs can work with CIOs to make the right technology investments while collaborating with CHROs to ensure the talent is in place to exploit those technologies—and the right KPIs in place to focus efforts.

However, according to our research, seamless collaboration across this group is extremely rare. As we saw in Figure 4, 31 percent of finance leaders report a seamless relationship with the CHRO, and 27 percent say the same of the CIO. However, if we look at those finance leaders who report a seamless relationship with both the CIO and CHRO, it shrinks to just 6 percent of the sample.

To address this issue, the three leaders need to clearly articulate the expectations of their roles. Of particular importance is developing a shared view of the organization's digital transformation strategy, and each leader's role in delivering that transformation. It also helps to understand the expectations each faces from key stakeholders, such as CEOs. Boards may also be placing demands on CFOs that CIOs and CHROs are not aware of (and vice versa), so it is important for leaders to understand each other's pressures and priorities. And in a fast-changing environment where speed of action is key, these three leaders must be able to quickly coordinate efforts and integrate critical data.

LEADERSHIP REDEFINED: KEY ACTIONS

In our increasingly digital economy, a more collaborative mind-set and approach is necessary for future success. As the role of the CFO becomes more strategic, they need to be recognized as more than just the leader of finance. As part of this extended role, CFOs need to understand how their focus areas align with those of other leaders within the organization.

To drive effective C-suite collaboration, CFOs need to put in place structures and processes, such as regular cycles of meetings and calls. Also key is the point at which finance leaders bring their C-suite peers into a program or project. For example, bringing a fellow leader into a program early on can ensure they play a meaningful part and help shape the outcome. It also means leaders from different functions can define what success looks like in a way that is meaningful to all. In that way, everyone is responsible for the program's success, and everyone will get credit when a program delivers.

Talent redefined

While the technology innovations exist to transform the finance function, that does not mean CFOs have a team that can leverage that technology. In fact, many finance functions admit they do not have the skills and people they need. When we asked finance leaders around the world to rate the challenges that stand in the way of finance innovation and performance improvement, they pointed to “lack of relevant skills within the finance team” as the number one barrier for both medium-size and large enterprises, as shown in Figure 7.

Figure 7: Top three barriers to finance innovation and performance improvement: large versus medium-size enterprises.

Large enterprises

1. Lack of relevant skills within the finance team
2. Reluctance from senior leadership to challenge the status quo
3. Cultural and mind-set barriers within the finance team

Medium-size enterprises

1. Lack of relevant skills within the finance team
2. Demands of existing priorities, such as meeting changes in accounting standards or compliance
3. Concerns over the risks of change, such as IT

Given how fundamental this issue is to driving finance innovation, we believe that the successful finance leader of the future will be defined by talent. By that we mean how they combine innovative technologies with bright, motivated, and talented people. We believe there are two priorities: one, challenging assumptions about what finance talent looks like; and two, putting a new approach in place for recruitment and skills development.

Priority one: challenging traditional views of what constitutes finance talent

Today, forward-looking finance leaders are expanding their talent horizons by looking beyond traditional financial skills. When we asked finance leaders which emerging areas of expertise will be critical to the finance function of the future, data scientists emerged as the most important, followed by statisticians (see Figure 8).

Figure 8: Importance of emerging expertise areas for the future finance function.

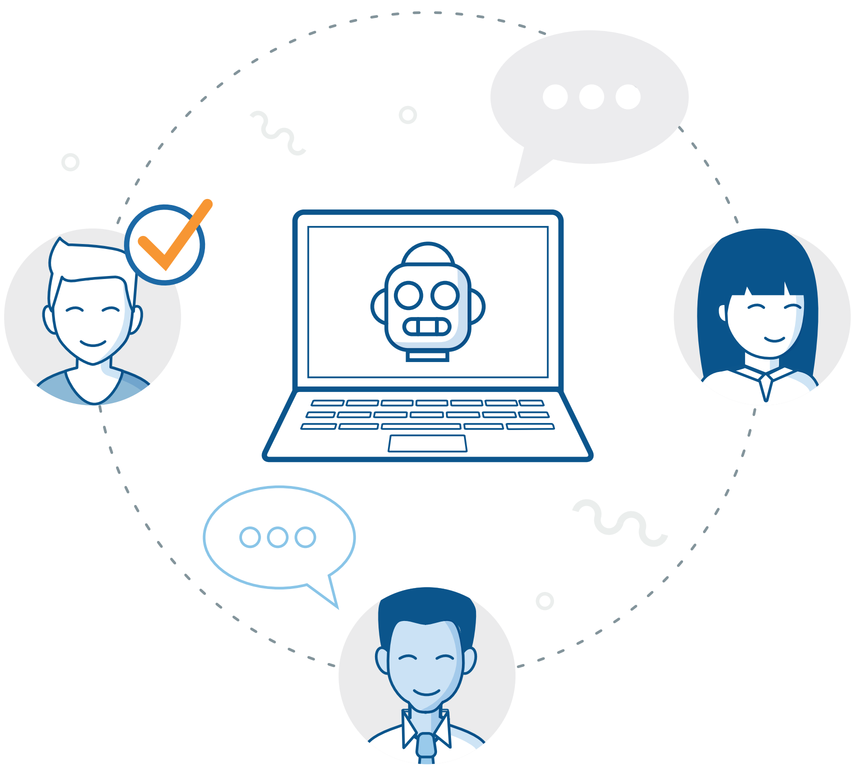
This focus on data scientists and statisticians reflects how finance leaders are thinking about the shifting role of finance. They see finance moving from a function that is mostly concerned with reporting the past, to a team that is also focused on the future; in other words, providing the CEO and business unit leaders with sophisticated, predictive analytics. With these data-driven insights, leaders can identify growth opportunities and better manage the increasing risks of a volatile world.

These progressive areas of expertise need to work alongside traditional finance and accounting expertise. For example, sophisticated corporate reporting will continue to be important as organizations seek to build trust with key stakeholders, such as investors. By building teams that have a mix of both new and traditional expertise, finance can offer new perspectives. For example, in data analytics, traditional finance professionals will be critical to ensure that analytics models capture information that is relevant. They will then play a central role in translating the analysis into insight. It is important to emphasize that even traditional finance professionals will need to play a more prominent role in the enterprise and continue to develop their skills. For example, as traditional finance people play a more visible role in the enterprise, they will need to refine softer skills, such as communication and influencing techniques.

Is the future of finance robotic?

In our research, we looked at the importance of emerging areas of expertise for the future finance function, looking at seven skills areas from data scientists to roboticists (people with experience in software development for robotic process automation), as detailed in Figure 8. We found that expertise in data science is seen as more important than finding expertise in areas such as robotics. Relatively speaking, roboticists are the least important talent that finance leaders seek.

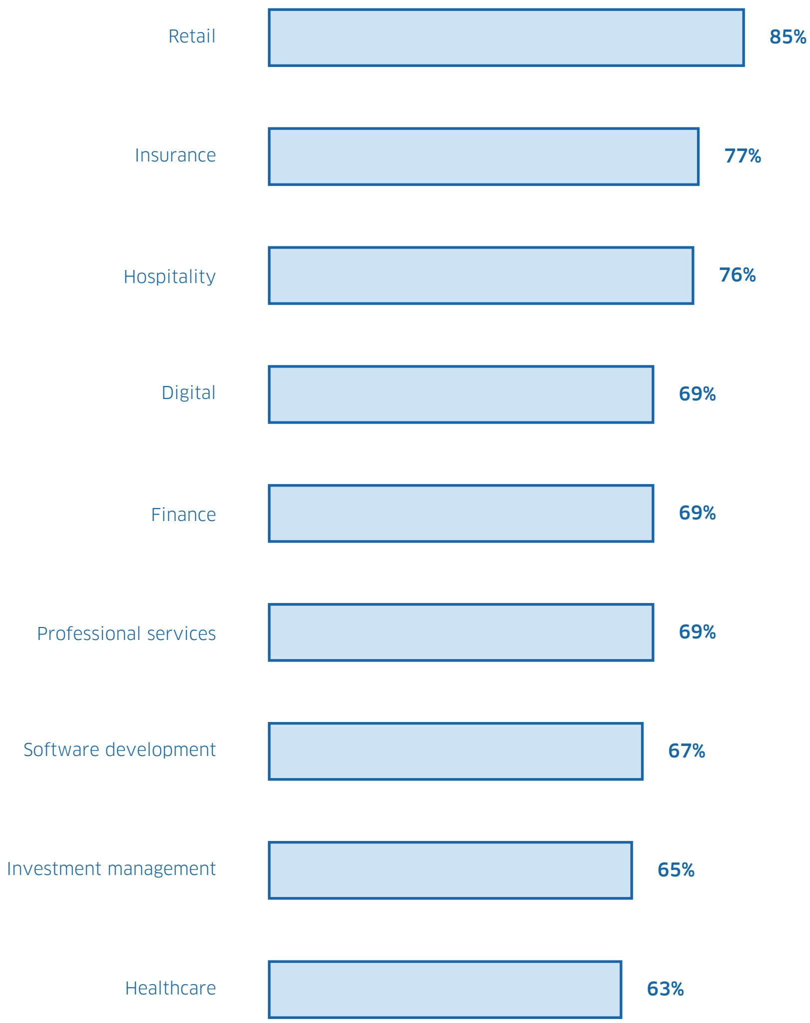
However, if you want to be best in class for finance, you need to begin to evolve toward roboticists. These experts will be critical as organizations seek to exploit ever-more sophisticated automation and artificial intelligence (AI). Even if AI technologies are not in place, an expert can show how AI could benefit finance and begin the process of experimentation. Not having the technology already in place is not a reason to discount the need for robotics expertise.



Priority two: a new approach to recruitment and development

As they look to redefine finance talent, finance leaders will face tough competition for the right prospective employees. In our survey, this emerged as a key concern. Seventy-one percent of respondents say that they "face tough competition to recruit the best analytics and digital talent." As Figure 9 shows, this is a big issue across multiple sectors.

Figure 9: Organizations that say they face tough competition to recruit the best analytics and digital talent, by sector.



In that contested environment, there are two priorities for finance leaders

First, expand the pool of potential finance talent by recruiting from non-traditional sources, including people from different educational backgrounds. For example, some leading finance functions are looking beyond the typical college graduate they might have recruited in the past and are instead recruiting people with a degree in the liberal arts or sciences, such as physics. This also has the benefit of widening perspectives and identifying candidates who can grow to fulfill the business partnering role rather than overseeing finance delivery processes.

Second, address skills gaps in the current team through training and development that builds digital and advanced analytics skills. As Figure 10 shows, "building digital and data skills" is the number one training priority for finance leaders. It is considered more important than supporting team members in achieving accounting qualifications, which is ranked fourth.

Figure 10: Types of training that will be most important to the finance function over the next three years.

1. A training curriculum that focuses on digital and advanced analytical skills
2. Coaching and mentoring programs for high-potential talent/training on how to effectively use the systems we have in place
3. Rotation through different parts of the business to develop new capabilities
4. Support in achieving accounting qualifications

In a digital economy, finance executives who combine deep finance expertise with an understanding of areas, such as advanced analytics, AI, and blockchain, will be highly valued. These executives will be necessary not just to drive digitization in finance, but also to assess the implications of technology innovation for the firm's business model and growth strategy.

TALENT REDEFINED: KEY ACTIONS

CFOs should not put their talent planning off until tomorrow. Forward-looking finance leaders are partnering with the CHRO to forecast what talent will be needed by the business and to capitalize on disruptive shifts in the wider environment.

While one skill—such as data analytics—may be in demand in the short- to medium-term, finance leaders need to look further into the future. As more processes are automated, and the use of AI is increased, finance leaders need to work more closely with the CHRO to model and understand what skills will be required in the long-term. An effective CFO-CHRO partnership in this area will ensure the finance team meets the changing needs of its leadership team, as well as future-proof talent strategy for the next disruptive shift. Effective strategic workforce planning will be a critical action for the CFO if they are to redefine finance talent.

Conclusion

Redefining finance to drive digital transformation

CFOs play a critical role in driving digital transformation. Their focus on understanding where value is created—and how to measure it—ensures that major enterprise transformations zero in on what matters. They should question any assumptions underpinning the transformation goals. They provide insight into how external volatility and risk could derail progress or undermine the value delivered.

The finance function needs to focus on innovation as well as bringing together the people and capabilities to deliver strategic insight. By redefining their approach to resilience, intelligence, leadership, and talent, CFOs can show that the finance function is determined to change and play its part in transforming the enterprise for the digital age.

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