CFO Indicator

Q1 2017 Report

Danger Zone:

How the Pace of Finance Threatens Corporate Agility

EXECUTIVE SUMMARY

As the top guns of finance, CFOs are chartered with piloting their organizations to new heights, successfully anticipating and navigating turbulent economic times. Yet, as the pace of business accelerates, many CFOs report they are feeling a need…a need for more speed.

While speed is but one factor in creating an agile organization, there is arguably no agility without it. And CFOs have their hands on the throttle, deciding whether to push forward or pull back. How well they are meeting their speed goals—and improving their organizations' time-to-decisions—is the focus of our CFO Indicator Q1 2017 report. Capturing the views of over 270 CFOs, the report explores how finance leaders are currently addressing and planning for a faster, more agile finance organization.

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But it might be time to sound the alarm bells as some CFOs don't appear to have a firm grasp of the controls. Over three-quarters of them admit that major business decisions have been delayed due to stakeholders not having access to data in a timely manner. And there appears to be a rather large speed gap to bridge when it comes to such things as reporting and ad hoc analysis. Yet, despite this admission, two-thirds of CFOs believe that their organizations operate with enough agility for today's business climate. CFOs must ask themselves, "Can there really be agility without speed?"

Not surprisingly, CFOs at smaller companies tend to believe their organization are more agile than the rest, underscoring the need for CFOs to better manage growth as their organizations scale. And with technology as their guide, CFOs have the potential to reach blue skies depending on how hard they work to automate time-consuming manual tasks; move to cloud technologies; and employ better reporting, analytics, and dashboarding technologies.

Their success, however, will be dependent on their pace of change—something that may not be happening as quickly as they believed it would. Read on to learn more about the current pace of finance, and how CFOs plan to avoid flying into the danger zone.

THE NEED FOR SPEED

McKinsey and Company defines agility as the ability of an organization to renew itself, adapt, change quickly, and succeed in a rapidly changing, ambiguous, and turbulent environment. And while the firm emphasizes that stability and a solid foundation are necessary keys to agility, there is certainly no way to ignore the other half of the equation—speed.

But finance teams appear to be falling short in the speed department. The well-documented challenges with reporting and data gathering are taking their toll, as CFOs estimate that over half (53%) of their teams' time is spent on these two tasks alone.

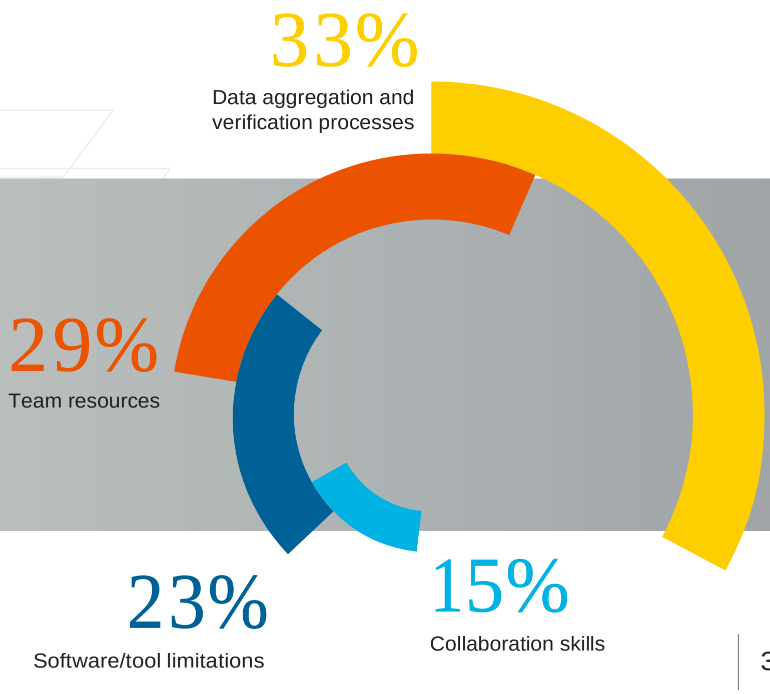
Perhaps even more discouraging is the fact that, despite this time sink, nearly half (47%) of respondents say it is still taking 11 days or more to get reports into the hands of stakeholders—a task which most say should ideally take 10 days or less. Better yet, over half (56%) would like to shrink that time to less than five days.

Not only are CFOs unable to have their teams meet their speed goals with respect to reports, they are also struggling with the speed of ad hoc analysis. As more and more organizations rely on multiple scenario planning to help navigate such things as market contractions and regulatory changes,[1] the speed with which ad hoc analysis is completed will directly impact corporate agility—putting even more pressure on finance teams to accelerate their response times.

The majority (60%) of CFOs estimate that ad hoc analysis, such as running a new scenario for the forecast, takes up to five days, but they would like to see this task take no more than one business day. And when it comes specifically to forecasting and the biggest challenge that stands in the way of updating those forecasts, one-third of respondents continue to identify data aggregation and verification as the top reason forecasts are delayed. Understandably, CFOs would like to see their teams spend less time on report preparation and data collection (36%) and more time on forecasting and scenario analysis (40%).

[1] CFO Indicator Q1 2016 Report

Biggest Time Challenge to Meeting Requests for Updated Forecasts



DECISIONS, DECISIONS

How do these speed challenges affect decision making? Unfortunately, 77% of CFOs report that some of their major decisions around such things as capital expenditures, resource allocations, and investments have been delayed because stakeholders don't have timely access to data. With shrinking product and innovation cycles—not to mention ever-increasing global competition—these delays can mean the difference between the success or failure of the business.

As published by Harvard Business Review: "[a company] will produce better performance if and only if it improves the organization's ability to make and execute key decisions better and faster than competitors...a company's value is no more (and no less) than the sum of the decisions it makes and executes."

The amount, type, and timeliness of data directly impacts the speed and quality of that decision making. And with as much as 30% of growth potential lost due to poor planning and execution, according to CEB, companies need to act faster and act earlier. But rising volumes of data continue to threaten their ability to do so.

CFOs have expanded the type of metrics they track as part of their reporting and forecasting processes. Operational data has begun to consume a larger percentage of an organization's key performance indicators (KPIs), providing a more holistic view of the business. And CFOs are also looking at external metrics, such as competitive benchmarking data. In fact, this quarter's report reveals that over half (57%) of CFOs say their board or CEO asks how they are performing relative to benchmark companies.

With nearly half (45%) of CFOs also identifying themselves as their organizations' chief data officers, the CFO sits squarely at the controls for managing this growing mountain of data and putting their organizations on a path to better, faster decision making.[2]

[2] CFO Indicator Q3 2016 Report

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>
> Harvard Business Review

TRIGGERING TECHNOLOGY

The quality of decision making is also directly tied to the timeliness and quality of an organization's financial analysis. CEB states that, for major strategic decisions, challenges with financial analysis can result in companies losing up to 1% of revenue per decision. CEB believes that high-quality analysis—analysis based on the right volume of detail that is timely, accurate, comprehensive and actionable—can deliver on the promise of FP&A.

First, however, CFOs have many challenges to overcome—especially when it comes to technology—if they hope to accelerate the pace and quality of decision making within their organizations.

When asked to provide more details on their biggest barrier to updating forecasts, many cited disparate systems, lack of interoperability, and software tool limitations. Some are frustrated with outdated platforms and tools that don't support forecasting capabilities, and with one respondent citing "excessive reliance on dumb Excel spreadsheets," it is perhaps time for a software intervention.

What software are they using? The most popular dedicated technology solutions being used today, according to our respondents, are reporting solutions, followed by budgeting and forecasting;

> "Outdated platforms and tools… along with 'excessive reliance on dumb Excel spreadsheets' mean it's time for a software intervention."

financial close and disclosure; and dashboards and analytics. And while they are implementing technology solutions, CFOs still aren't making progress in moving their infrastructure to the cloud. On average, they report that 33% of their infrastructure is SaaS today with a desire to get to nearly 60% by 2020—virtually unchanged from our survey a year ago.[3]

It would appear, then, that many organizations continue to rely on point solutions that do not provide the integrated access to data that SaaS solutions can provide. To reduce the time spent on data aggregation and verification, CFOs will have to take a more holistic approach to financial and enterprise management, deploying integrated software solutions that provide a single source of truth. End-to-end, cloud-based solutions enable users to adopt the practice of rolling forecasts and continuous planning that is far more comprehensive and collaborative than traditional financial forecasting approaches.

[3] CFO Indicator Q1 2016 Report

Which Dedicated Technology Solution Do You Have?

BETTER ANALYSIS, MORE AGILITY

When asked which technology solution they didn't have that would most contribute to increased agility in the finance organization, nearly half (49%) of CFOs cited predictive analytics, followed closely by dashboard and analytics (45%).

In fact, dashboards and analytics also top the list of future purchases, with 45% of CFOs saying they will invest in this type of solution by 2020, followed closely by budgeting and forecasting tools (40%). This is not surprising as CFOs seek to gain a longer-term view of the business via forecasting and better partner with business leaders by providing a more intuitive, visual view of the business.

Although predictive analytics topped the list of solutions that would most improve agility, less than a quarter (24%) intend to purchase a dedicated predictive analytics solution in the next three years. This is likely reflective of the emerging nature of the technology, and the more immediate need to simply start the process of forecasting—a function that is predictive in and of itself. Finance may be so caught up in generating history, that it is challenged in transitioning to looking forward.

Reporting rounds out the top three in terms of purchasing plans, underscoring CFOs' desire to improve response times and accelerate the pace of their teams. With cloud-based reporting solutions that integrate budgeting and forecasting capabilities, finance teams should be able to engage in better, faster forecasting practices so that multiple scenario planning becomes commonplace—a practice that is even more critical as business climates become increasingly volatile and uncertain.

Top 5 Technologies CFOs Will Invest In by 2020

1 Dashboards and Analytics

2 Budgeting and Forecasting

3 Reporting

4 Sales/Operational Planning

5 Predictive Analytics

FINAL THOUGHTS

While CFOs want to believe they are agile enough for today's business climate, admitted delays in decision making due to a lack of timely data will not serve them well in an increasingly volatile and uncertain business climate. They will need to overcome the time deficits that currently exist in reporting and data collection so that more resources can be allocated to valuable analytics.

Key to finance's success will be the adoption of an end-to-end cloud corporate performance management (CPM) system that can be easily integrated with operational data platforms to support continuous, comprehensive, and collaborative planning practices—practices that enable thorough scenario analysis and the ability to explore every possible outcome. In doing so, they can accelerate the pace of finance, piloting their organizations to and through turbulent times, and out of the danger zone.

About the Survey

The Adaptive Insights CFO Indicator Report reveals what is top of mind for CFOs, as well as unveils key attributes that define the strategic CFO. This report surveyed 271 chief financial officers across the globe online over a period of 18 days ending April 18, 2017.

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