

A report prepared
by CFO Research

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The Next Stage in Creating the Value-Added Finance Function

TURNING DATA INTO INSIGHT AND BUSINESS ACTIONS

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In the fall of 2014, CFO Research conducted a survey among senior finance executives at large companies to explore developments in the ways that finance functions employ advanced information capabilities to support business operations.

We gathered a total of 311 complete survey responses. Respondents represent a broad range of company segments, as follows:

TITLE

Chief financial officer (CFO) or equivalent	22%
Director of finance	20%
Controller	17%
Chief executive officer (CEO), president, or equivalent	9%
Executive vice president (EVP) or senior vice president (SVP) of finance	8%
Vice president (VP) of finance	7%
Treasurer	5%
Other senior finance title	10%
Other title	2%

REVENUE

US\$500 million—US\$1 billion	27%
US\$1 billion—US\$5 billion	30%
US\$5 billion—US\$10 billion	17%
US\$10 billion—US\$20 billion	14%
US\$20 billion or more	12%

INDUSTRY

Financial services/Real estate/Insurance	15%
Auto/Industrial/Manufacturing	11%
Business/Professional services	11%
Chemicals/Energy/Utilities	9%
Construction	7%

Health care	7%
Transportation/Warehousing	6%
Wholesale/Retail trade	6%
Food/Beverages/Consumer packaged goods	5%
Software/Internet/Networking	5%
Hardware/Electronics	4%
Pharmaceuticals/Biotechnology/Life sciences	4%
Telecommunications	4%
Public sector/Nonprofit	3%
Media/Entertainment/Travel/Leisure	2%
Aerospace/Defense	1%

REGION

United States or Canada	33%
Europe	32%
Asia/Pacific (including India and Australia)	18%
Latin America	17%

COUNTRY

Argentina	2%
Australia	4%
Brazil	6%
Canada	4%
China (other than Hong Kong)	6%
France	11%
Germany	8%
India	4%
Mexico	8%
Spain	7%
Singapore	3%
United Kingdom (England, Scotland, Wales, and Northern Ireland)	7%
United States	29%
Any other country	1%

Enabling Innovation for Profitable Growth

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In our most recent global survey of finance executives, a finance manager from a Brazilian consumer goods company sums up what he sees as the keys to the company's success next year: "Improvement in the economic scenario and constant innovation."

Of course, there's not much a company can do about the economy—a lesson brought home all too forcefully during the recent global recession. But this manager also puts his finger on the driving force behind many companies' growth plans going forward: "constant innovation."

In a business environment that demands unceasing innovation, companies will need to find ways to accelerate their "time to action."

These days, change is the only constant for many businesses, demanding unceasing innovation. For that reason, a company's management will need to accelerate their "time to action"—the speed with which they absorb new information, analyze it, and apply it to take decisive action in the midst of change. But in keeping up this relentless pace, many business managers find themselves having difficulty coping with the volume of information coming at them in a continuous stream.

This is where the finance function needs to step forward. Advances in information technology allow managers to get more data, and to get it more rapidly. Advances in the finance function now are needed to help managers be able to integrate operational metrics with financial impacts, analyzing and interpreting that data to develop insights into the business that can be turned into action.

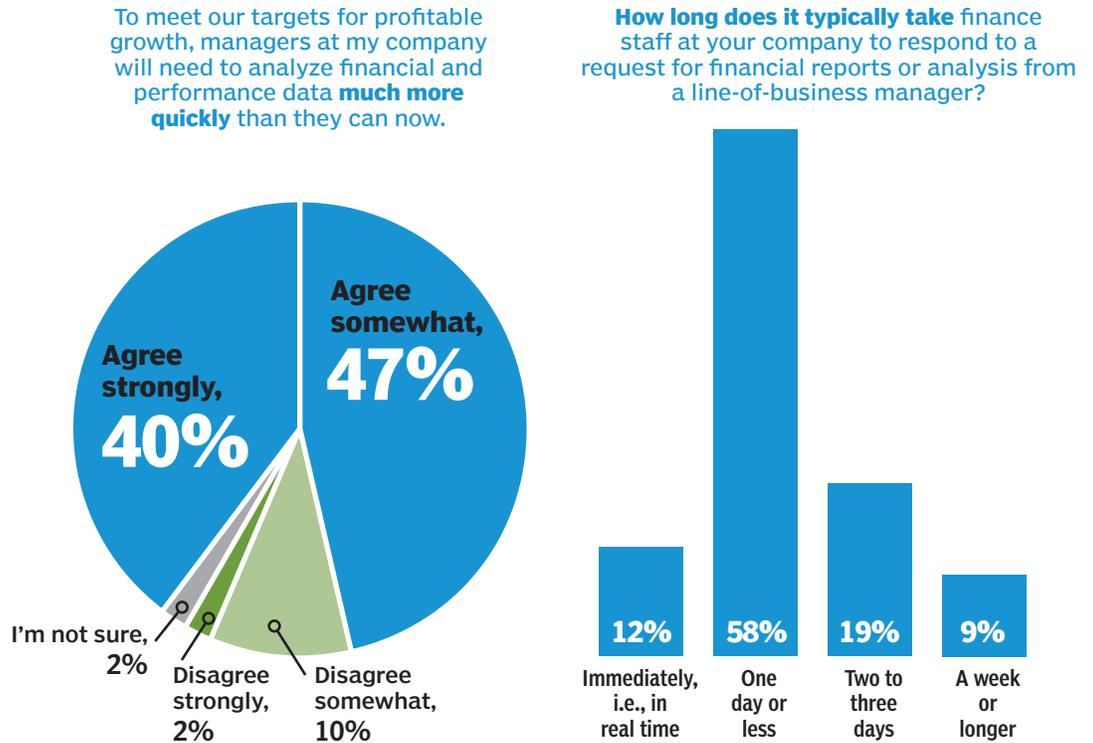
How companies—and their finance functions—can support the drive to innovation was a central concern of the finance executives responding to our survey. In the survey, which was sponsored by SAP and carried out by CFO Research, we explored ways that finance functions are adapting to the accelerating pace of change in their companies, in their markets, and in their information technology. In particular, senior finance executives from a wide range of industries commented on their expectations that their line-of-business managers will depend increasingly on a combination of finance expertise and new information capabilities in their pursuit of profitable growth.

The finance leaders responding to our survey clearly feel that the business environment is changing and becoming more complex. A changing business environment requires new types of responses, and

Line-of-business managers will depend increasingly on a combination of finance expertise and new information capabilities in their pursuit of profitable growth.

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FIGURE 1 Finance executives recognize the “need for speed” in data analysis—but few companies are able to deliver in real time.



many companies are pegging their growth ambitions to innovation—new products, new markets, and new ways to serve their customers. According to a director of finance working in the food and beverage industry in the United States, gaining new customers will require a “focus on innovation and extending product lines in which we have a significant competitive advantage.”

The CFO of a Chinese manufacturer provides a comprehensive list of the critical factors driving the company’s profitable growth during the next year: “Demand expansion, pioneering new markets to reduce costs, increased competitiveness, enhanced product quality, increased publicity, widely used social media, IT innovation.” But a senior finance officer from the hardware/electronics sector in the United Kingdom boils the challenge down to, simply, “New customers and products.”

Companies—and their finance functions—cannot afford to stand still in a rapidly changing world.

Finance functions can play a key role in guiding their colleagues—corporate executives, business unit managers, and sales and marketing—to ensure that new growth is profitable growth. The finance executives in our survey know that their companies cannot afford to stand still in a changing world. Nearly all the survey respondents (90%) say their companies will be striving to improve profitability over the next year, with four in ten (39%) looking to make substantial improvements. But nearly everybody also recognizes that, to meet those goals, they will need to develop the ability to respond rapidly and effectively—87% say that managers at their companies will need to analyze financial and performance data much more quickly if they are going to meet their targets. (See Figure 1.)

Uncertainty and volatility in the business environment increase the need for speed in decision making. These days, decision makers must get information faster, absorb and analyze it faster, and make adjustments faster.

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This translates into increasing demands on the finance function to support that decision making with integrative analysis of financial and performance data. Yet, only 12% of the respondents say their finance staff currently can respond to requests for financial

Decision makers must get information faster, absorb and analyze it faster, and make adjustments faster.

reports and analysis from business managers immediately, i.e., in real time. Although 58% say they respond within a day of receiving a request, the question remains whether that will be good enough in today's fast-paced and changing world. (See Figure 1.)

And the demand is not only for quicker response to requests for information, but for accelerating the interpretation of what that information means to the business—working with line-of-business management to visualize the problem, simulate solutions, understand both financial and operational impacts, and select the right response. To be most effective, finance functions can't stop at simply handing over the P&L to a manager, no matter how fast they can generate it.

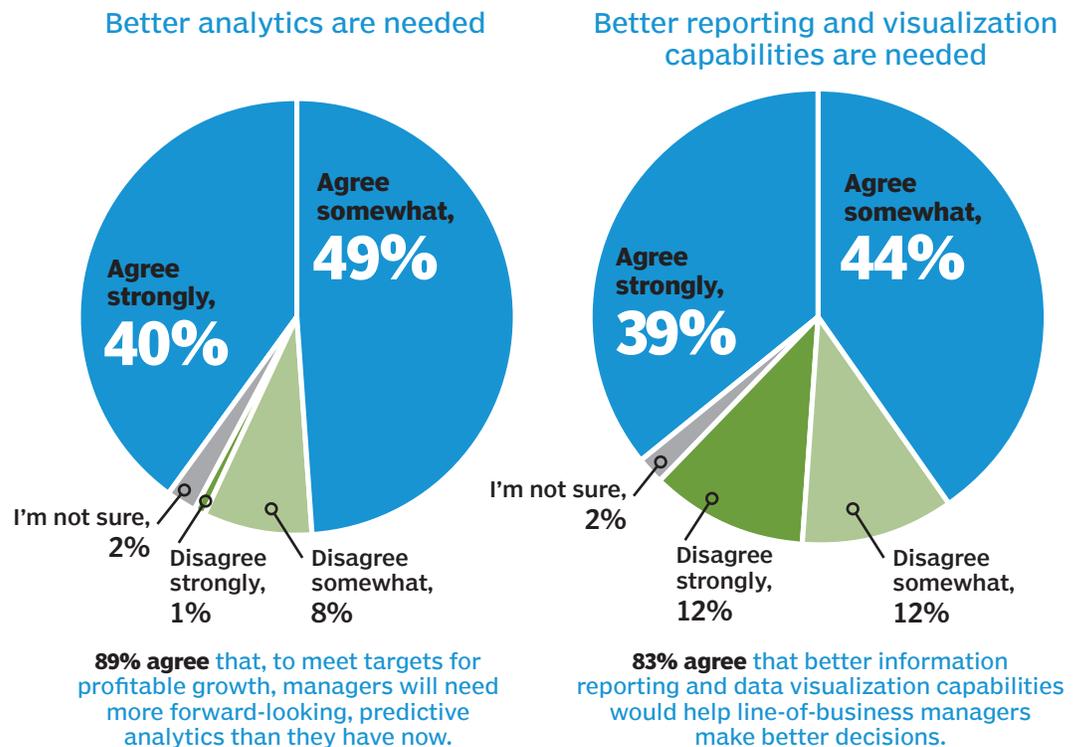
Making the Most of Information Tools

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Nearly all the finance executives in our survey confirm that their companies will need to upgrade their information systems in order to meet these ambitious goals. Only 7% of respondents say that investing in IT will not be a priority for their companies next year, and nearly half (47%) make it one of their top priorities. This urgency is felt most keenly outside of the United States. While 36% of U.S. respondents say technology investment will be one of their top priorities over the next year, 52% of the respondents from other regions have moved it to the top of their agenda.

In fact, nine out of ten respondents (89%) agree—with 40% agreeing strongly—that, to meet their targets for profitable growth, managers will need more forward-looking, predictive analytics than they have now. A large number of respondents (83%) also believe that better information reporting and data visualization capabilities would help their line-of-business managers make better decisions. (See Figure 2.) For example,

FIGURE 2 Profitable growth and better decision making are enabled by advanced capabilities: predictive analytics and data visualization.



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what would be most useful, according to one director of finance from the U.S. consumer goods industry, is “Easier visualization of data using dashboards; more advanced analytics that look at trends and history to provide more accurate projections.”

The reason for the urgency is clear. Eight in ten respondents (80%) believe that their companies would be better able to meet their growth targets if their information systems were easier to use. As a vice president of finance from a Chinese construction company explains, “The ability to improve the information system enables us to analyze the current situation quickly, and then make changes so that the interests of our company are maximized.”

Finance executives say that their companies' business managers are looking for “easier visualization of data” and “more advanced analytics.”

Consequently, companies are seeking ways to accelerate their “time to action”—that is, speed of insight, not just speed of processing. A finance executive from a Mexican healthcare company comments on the benefits he sees: “Greatly improved systems [would] lower the reaction time of our executives, which would translate into an advantage against the competition.”

However, increasing information complexity can create obstacles. A large majority of all respondents (82%) agree that the increasing volume and complexity of data compel their companies to adapt or upgrade financial management information systems. About half of those agree strongly. This is a global phenomenon; data demands are becoming increasingly complex in every region, although respondents in the Asia/Pacific and Latin American regions are more likely than their counterparts from North America and Europe to feel strongly about the need to upgrade systems.

The survey shows that, as both the volume and the complexity of data grow, finance executives no longer believe that “ease of use” is only as simple as “do it yourself.” Sixty-two percent (62%) of the respondents say that their information systems are largely “self-service”—that is, managers can get the financial and performance data they need on their own, without relying on finance or IT staff. At the same time, nearly the same number (58%) say that line-of-business managers at their companies have difficulty using the companies' information systems to identify and understand the data they need to make effective decisions. (See Figure 3.) Something more than having the data in hand is needed.

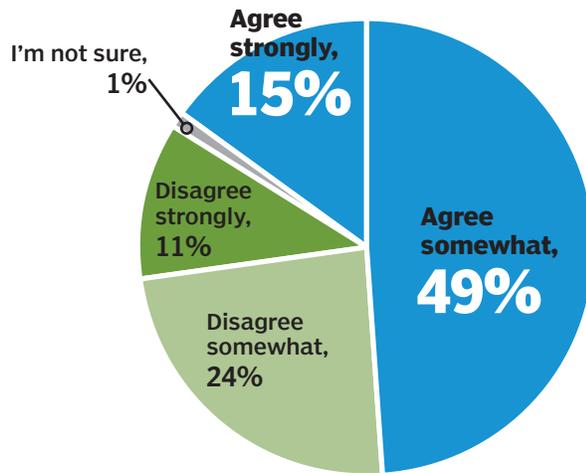
As it turns out, the additional value of information for business decision-making comes from, first, in downloading the right data—that is, being able to identify the relevant data—and, second, in knowing how to put that data to good use. Here, many business managers are looking to their finance colleagues for help.

A number of the respondents zero in on the importance of taking these next steps for effective decision making. As the CEO of a Mexican electronics firm notes, “Technology is always a good ally, if you know how to use it. You will always have to train some employees, and for others it is still very difficult to understand these new uses [of technology].” A CFO from the wholesale/retail sector in Spain makes the point even more starkly: “We have [ERP] and CRM, with innumerable data; however, the use of the same by the management is disastrous.”

Finance executives no longer believe that “ease of use” is only as simple as “do it yourself.” Something more than having the data in hand is needed.

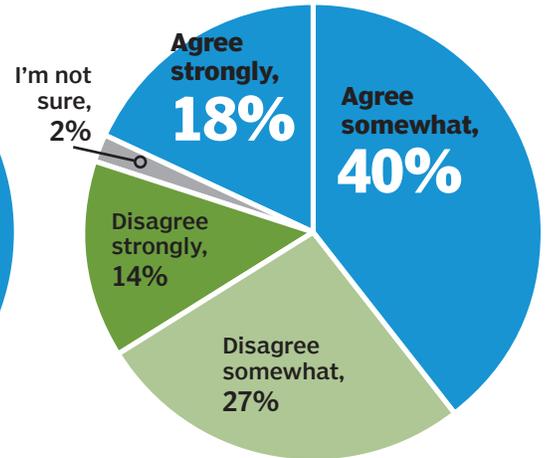
FIGURE 3 Data retrieval may be “self-service,” but data analysis is not.

Systems are “self-service”



Our information systems are largely “self-service”—that is, managers can get the financial and performance data they need on their own, without relying on finance or IT staff.

Data is hard to identify and understand



My company's line-of-business managers have difficulty using our information systems to identify and understand the data they need to make effective decisions.

“Technology is always a good ally, **if you know how to use it,**” says the CEO of an electronics firm.

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The Next Stage of Value Delivery for Finance Functions

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Finance functions know that they will need to do more than simply churn out the numbers if they are to help business managers avoid information disasters. More and more, business managers will expect finance staff to tell the story behind the numbers—help them integrate financial and operational data in ways that move beyond the P&L statement and get at the real drivers of innovation and change for the business.

A large majority of respondents (87%) agree that, to do this, finance functions will need to improve their own capabilities and performance. And 91% say that their finance functions must get better at providing the kinds of forward-looking, predictive analytics that their managers will need to succeed. (See Figure 4.)

A vice president of finance in the U.S. financial services industry comments, “We are currently in the middle of a financial information systems upgrade and conversion. Completion of the new tools will greatly reduce the monthly accounting close process. Another benefit will be near real-time access to granular operational performance data to allow for faster analytic support and feedback to field operations to help maximize financial performance.”

Business managers expect finance staff to tell the story behind the numbers.

This executive touches on a key point. Improving performance is not just about getting faster—in this case, speeding up the financial consolidation and close cycle. In a larger context, it’s about what finance staff can do with the time—and the insights—they gain in the process of applying faster, more powerful technology.

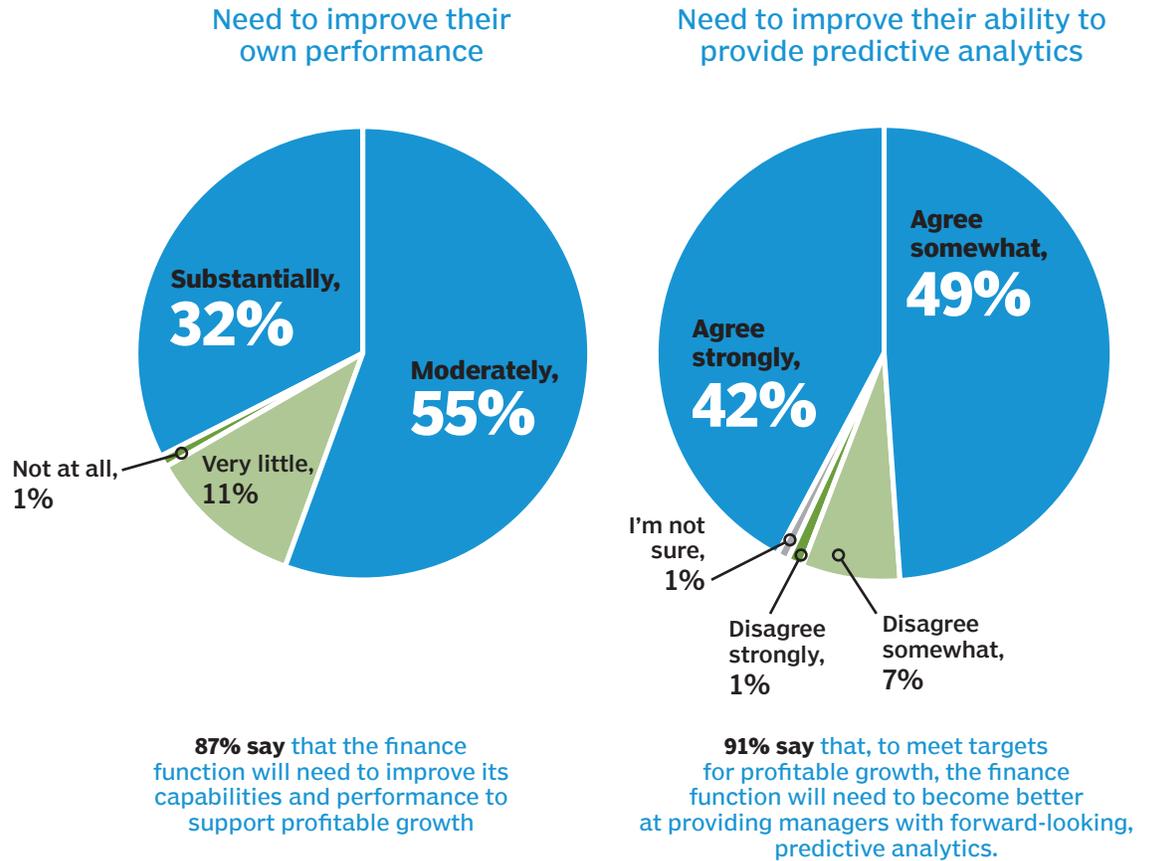
In many companies, the line-of-business managers are actively seeking out the finance expertise that will help them deal with the complexities of the data. Six in ten respondents (60%) say that line-of-business managers regularly request financial reports and analysis from the finance functions at their companies, despite the presence of “self-service” information systems. This implies a recognition that just having the data in hand is not sufficient, in and of itself.

And finance is happy to reciprocate—nearly the same number (56%) report that their finance staff regularly collaborate with line-of-business managers to analyze financial and performance data and develop effective responses. For half of the companies, this collaboration is baked into their organizations; 48% of respondents report that their finance staff already work side-by-side with line-of-business managers and routinely support management decision making.

The necessity of involving finance is not lost on the other half. “The finance function must be integrated much earlier” into the analytical process, writes one executive from

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FIGURE 4 Finance functions are working to deliver greater value to their line-of-business colleagues. Finance functions will...



“The finance function must be integrated much earlier” into the analytical process, writes one executive from a French manufacturing company.

a French manufacturing company.

Finance leaders have been talking about expanding the value-added role of their teams for a long time. Companies are beginning to provide the tools that finance can use to help realize those aspirations, moving ahead with the adoption of the systems that can deliver robust and innovative information capabilities into the hands of their business leaders. Now, it's time to figure out how to make the best use of those new capabilities, as line-of-business managers and finance teams alike seek to strengthen their collaboration in order to strengthen their analytical power.

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The case for the expanding role of the CFO and finance department to evolve into more strategic business partners across the enterprise is no longer a new debate. What was once a revelation is now an expectation of the finance profession to have a thorough understanding of business operations, while working alongside their line-of-business peers to focus resources and, ultimately, define their company's strategy to meet their targets for profitable growth.

While it's a safe bet that tomorrow's finance leaders will still be applying the familiar skill sets of today in responding to the needs for sourcing capital at optimal cost, managing an increasing barrage of compliance requirements, and providing ever more transparent reporting and forward-looking disclosure, their ability to truly become a leading enabler of strategic direction and profitable growth so often discussed today remains an open question.

The findings from this important piece of research confirm that, while advances in information technology are enabling CFOs to provide significantly more financial data and information much faster to other line-of-business decision makers, major gaps remain when it comes to how to effectively translate data into analysis that those outside of the finance function can understand and use in a meaningful way. Even though more than 60% of the finance executives in the survey say that their information systems are largely "self-service"—that is, managers can get the financial and performance data they need on their own—nearly the same number say that line-of-business managers at their companies have difficulty using the information systems to identify and understand the data they need to make effective decisions. So, while finance has made great strides in rapidly providing more information to their line-of-business counterparts in an effort to become a strategic partner, in order to truly achieve that ambition they must figure out how to better integrate operational metrics with financial impacts, and interpret the data to develop insights that all decision makers can turn into action.

For those who are ready to take the next step and truly transform their finance function, going beyond merely providing more and faster data to their peers, adopting technology advances such as in-memory computing, predictive analytics, cloud, and mobile can uniquely position you to help mold strategic direction and predict profitable outcomes that previously were an unrealistic aspiration.

All of these technologies exist today in the SAP Simple Finance solution. As a leader in finance solutions for the last several decades, SAP has worked closely with customers around the world to identify the most complex tasks in finance and make them simpler to consume and perform. The result is SAP Simple Finance, a global financial solution powered by SAP HANA and offering a complete choice of deployment (cloud, on premise, hybrid).

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SAP Simple Finance combines the power of the leading financial management software from SAP with the real-time analytics of the SAP HANA platform. It has been designed to drive simplicity across all finance processes and users by enabling:

Business partnership: Engage with the business to drive value, leveraging instant prediction, analysis, and planning across financial and operational processes

Operational excellence: Extend finance processes across business networks for optimal collaboration with customers, suppliers, banks, and government authorities

Compliance and risk: Maintain global regulatory compliance and controls of accounting and tax standards, across currencies, languages, and industries

Finance leaders have been talking about expanding the value-added role of their teams for a long time. The debate is no longer whether the finance and accounting function needs to become a more strategic partner to the rest of the business but rather how to get there. Technology innovation has caught up to this ambition, and what was once aspiration can be a reality—and the choice is now yours.

For more information, visit [SAP Simple Finance](#).



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