

# Finance Digital Transformation:

How Finance Leaders Can Equip Their Team  
to Tackle Change



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## Executive Summary

COVID-19 has had a profound impact on the business landscape. Consumer demand has shifted, supply chains have been stretched like never before, and entire sections of the workforce have pivoted to remote work. In some parts of the world, a new normal has started to resume; in others, it seems a long way away.

Like every other member of senior management, CFOs were plunged into crisis management mode when the pandemic hit. They rapidly reforecasted revenues, cut costs, and bolstered liquidity—all while continuing essential tasks, such as financial close, remotely.

It was against this backdrop that we surveyed 225 CFOs from global organizations of different sizes. We wanted to understand how these unprecedented circumstances had affected their plans to use new technologies, build up the skills needed for the future, and provide insights to guide the wider business.

The results are equally encouraging and sobering. Here is a summary of the main findings:

- There is a direct link between finance digital transformation and agile business practices, swift decision-making, and more efficient reporting, planning, and financial close. These are vital capabilities that businesses will need to thrive in the new normal.
- Nearly half of CFOs have not implemented any finance digital transformation initiatives. This presents a significant opportunity to advance key capabilities that CFOs value, such as predictive analysis and risk management.
- The two greatest challenges of finance digital transformation are a technology skills gap and internal resistance to change. Unlike budget or infrastructure deficiencies, it is within CFOs' power to directly address these challenges.
- Critical business decisions are often delayed because finance is unable to extract meaningful insights from available data. CFOs identified team skills as a top barrier to extracting these insights, representing a reskilling challenge for finance.

Read on to learn more about the findings that highlight both challenges and opportunities.



## What is finance digital transformation?

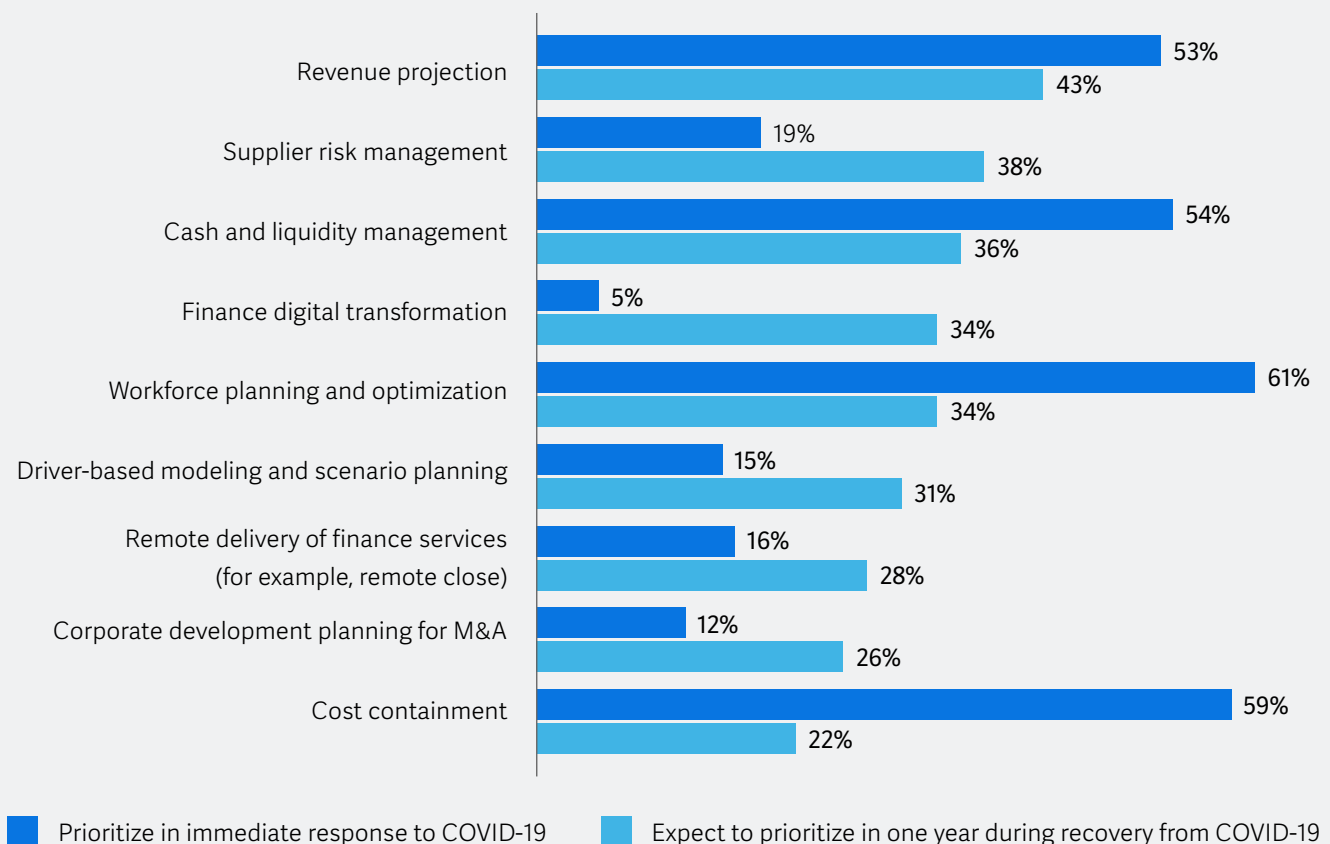
Finance digital transformation is the implementation and use of digital technologies, such as the cloud, machine learning, and augmented analytics, for finance processes to improve efficacy, insight, and agility. Upskilling and change management are essential success factors.

## Finance digital transformation unlocks hidden benefits—for the finance function and beyond.

As the COVID-19 pandemic hit, CFOs understandably moved into defense mode. Our survey reveals that they prioritized mission-critical business functions: workforce planning and optimization, cost containment, cash and liquidity management, and revenue projection. And they turned away from offense initiatives that aim to achieve top-line growth for the business, such as finance digital transformation and M&A planning.

But this is only temporary. As businesses navigate recovery, CFOs plan to resurrect initiatives that they had shelved during the crisis—finance digital transformation in particular. About one-third of CFOs (34%) plan to prioritize finance digital transformation in one year. In contrast, just 5% focused on it at the height of the pandemic.

### CFOs shift priorities as they navigate a new normal.



## Digital accelerators vs. digital novices.

This shift in focus is encouraging. Our survey data reveals that finance digital transformation helps businesses to recover efficiently from crisis and emerge stronger.

Specifically, finance digital transformation boosts agility, instills confidence, and improves efficacy. How do we know this? Because the 54% of CFOs surveyed that have implemented many or some finance digital transformation initiatives—those we refer to as digital accelerators—consistently perform much better on these fronts than those who have not implemented any digital finance transformation initiatives—the digital novices who make up the rest of our sample.

Specifically, finance digital transformation:

### Improves Efficacy

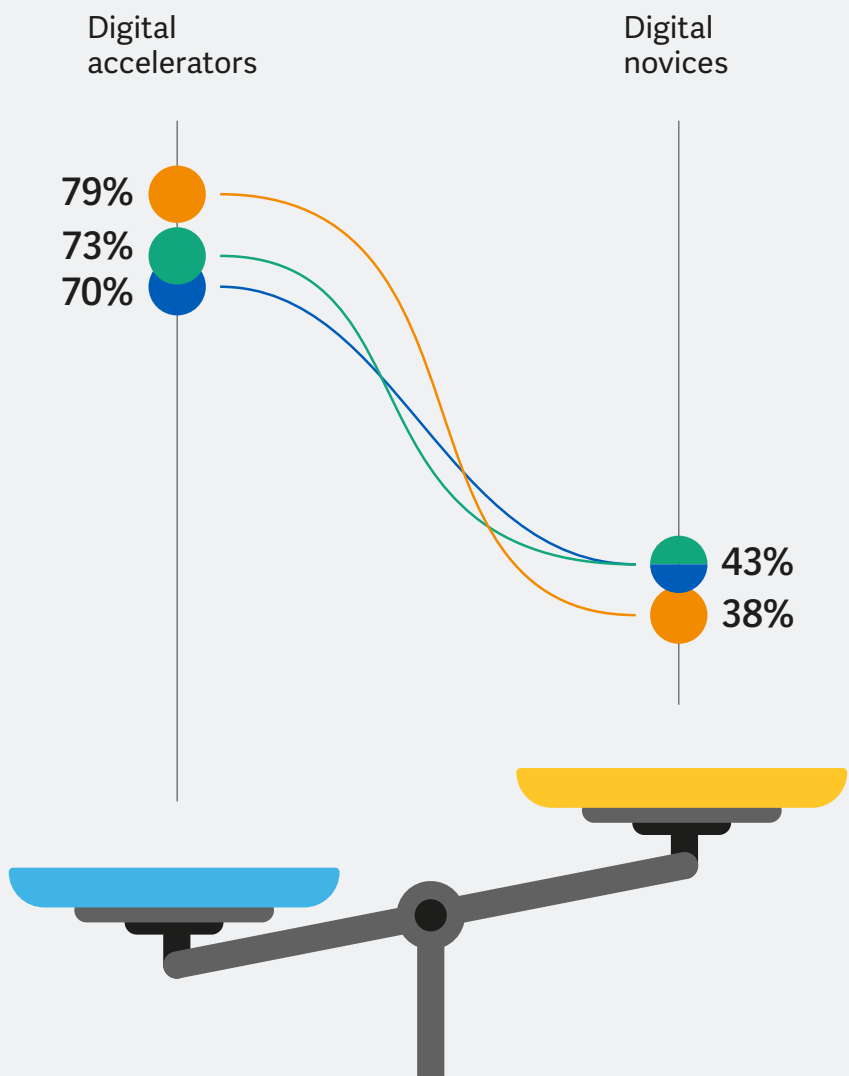
Percentage of those teams that are more than somewhat proficient at efficient reporting, planning, and financial close

### Instills Confidence

Percentage of those who are more than somewhat confident in the accuracy of their two-year P&L forecast

### Boosts Agility

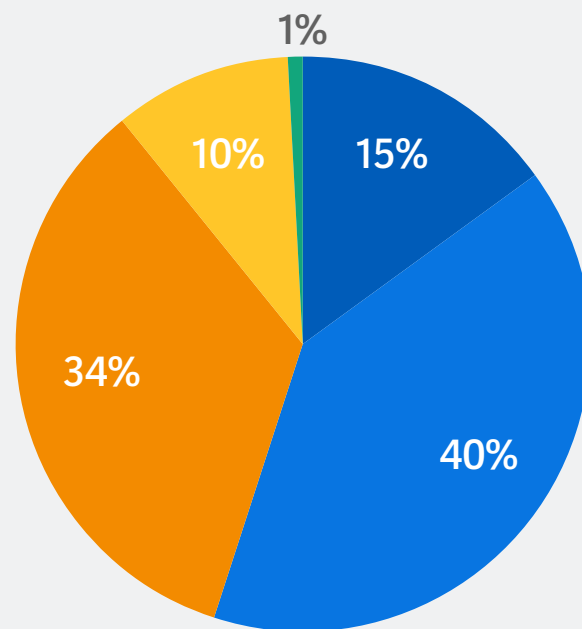
Percentage of teams that are more than somewhat proficient at responding and reacting quickly to change



With COVID-19 and the wider risk landscape still highly volatile, CFOs must continuously and carefully evaluate the balance between innovation and cost containment, and between defense and offense. Postponing finance digital transformation initiatives made sense as COVID-19 unfolded, but the considerable benefits mean CFOs should reignite these projects as soon as possible.

## Just over half of businesses have implemented at least some finance digital transformation initiatives.

- Have fully implemented a small number of digital transformation initiatives
- Have fully implemented many digital transformation initiatives
- Have piloted some digital transformation initiatives, but haven't fully implemented them; this is likely to change within the next 12 months
- Have not implemented any digital transformation initiatives, but this is likely to change within the next 12 months
- Have not implemented any digital transformation initiatives, and this is unlikely to change within the next 12 months



## Prioritizing skills and leading culture evolution.

If the proven benefits of finance digital transformation are so great, why is progress so slow? And why do almost one-third of CFOs say that a number of their transformation initiatives have stalled or stagnated?

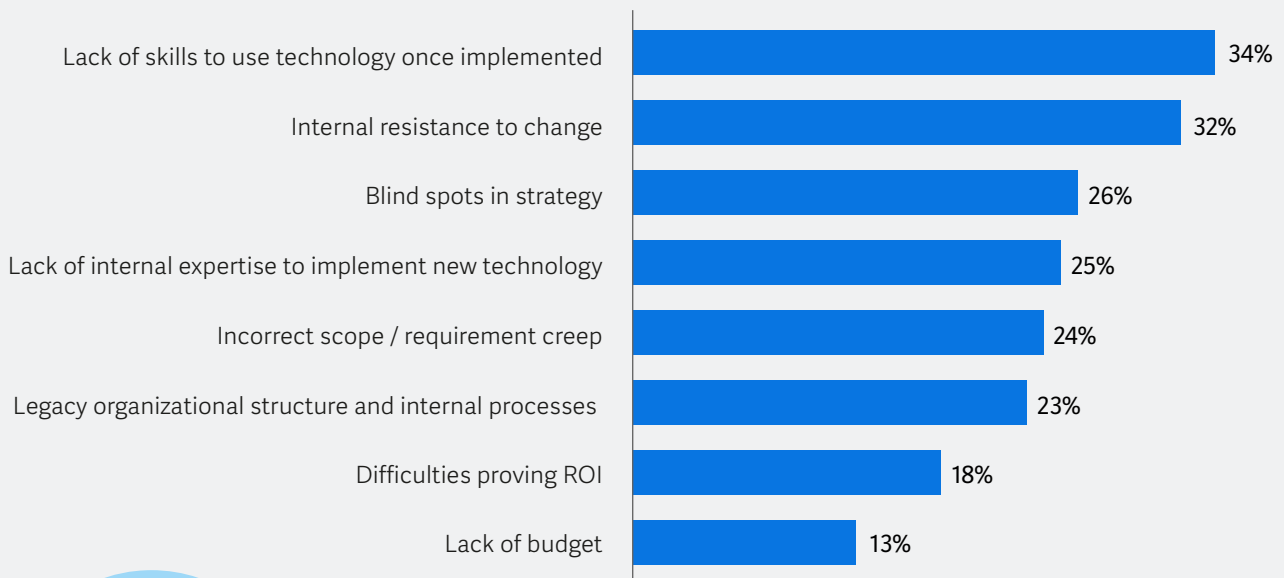
The explanations vary depending on the company, the type of transformation it is pursuing, and existing capability levels. But according to the CFOs surveyed, the top challenge is a lack of skills to use the technology implemented in transformation projects; internal resistance to change is second.

CFOs have it in their power to overcome both of these obstacles.

# 31%

of CFOs say that a number of the finance function's digital transformation initiatives have stalled or stagnated.

## Lack of technology skills and resistance to change hinder finance digital transformation.



## Skills shortfall.

To address the skills gap, finance leaders should first determine the technology skills they need—not just for today, but also for the future. In addition, they need to understand how new technologies work, and the skills to strategically interpret and interrogate the data generated by these technologies.

Finance leaders then need to work closely with HR to determine how to acquire these skills and strike the optimal balance between recruitment and reskilling. And in order to acquire these skills, they may have to recruit individuals from a variety of academic and career backgrounds or tap into their own “citizen data scientists”—those internal candidates with an interest in expanding their [skill set](#). And it’s not just about driving finance digital transformation—it’s also about meeting the finance function’s broader objectives (see section 4).

## Culture clash.

CFOs can also reset their team’s resistance to change. As leaders, they can set a positive example by experimenting with new technologies, processes, and ways of working. And there is a way they can address this more directly: by setting KPIs that push the finance team to contribute to transforming the entire function.

Closely linked to this internal resistance to change is the broader issue of culture. Organizations that empower finance employees to proactively highlight areas of inefficiency or untapped value and then work collaboratively to determine and implement solutions are among those most likely to successfully execute finance digital transformation.

Our survey data supports this conclusion: 88% of digital accelerators are more than somewhat confident that the culture of their finance function supports digital transformation, compared with just 35% of digital novices.

Encouragingly, although some digital finance transformation initiatives are costly and budgets are typically fixed, the survey data shows that a lack of budgeting and proving ROI are rarely significant issues. By introducing the necessary skills and evolving the culture within finance—tasks that are certainly within the CFO’s control—they can significantly accelerate automation and boost efficiency within finance and beyond.

# 88%

of digital accelerators are more than somewhat confident that the culture of their finance function supports digital transformation, compared with just 35% of digital novices.



## CFOs must drive performance data optimization.

Enterprise performance data fuels the finance function, yet many CFOs struggle with decision-making due to inefficient access to data and the ability to glean insights from that data across the organization. About half of the CFOs surveyed also say that critical business decisions are sometimes delayed because of conflicting data between finance and operations and a lack of accessibility to real-time data.

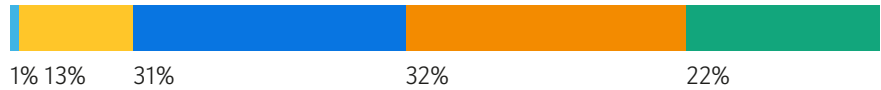
And inadequate data capabilities are leading to suboptimal enterprise performance reporting and analytics. Incorporating operational drivers and metrics—production output, employee attrition and hiring, employee efficiency, work quality, customer acquisition costs—into regular internal enterprise performance reporting and analytics alongside financial metrics provides the insight that today’s organizations need. However, our survey data reveals that only 30% of CFOs do this.

## Data issues delay critical business decisions.

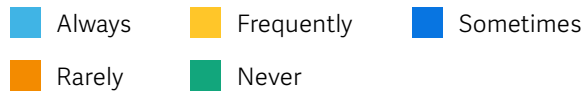
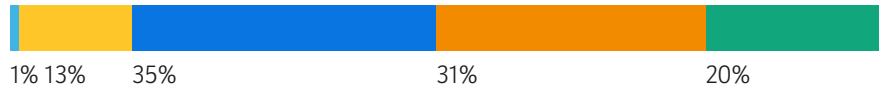
Critical data is not available on a real-time basis



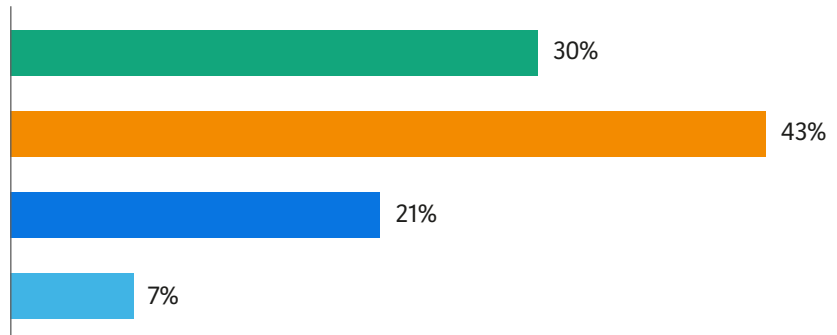
There is conflicting data between finance and operations



Finance is not proficient in delivering meaningful insights from available data



## CFOs reveal opportunity to combine operational and financial metrics into reporting and analytics.



## Data integrity.

How can CFOs and their teams use data more efficiently? How can real-time performance data enable them to provide better insights and strategic guidance to the business more effectively? It can be a complex, long-term investment, but our survey shows five areas that can help smooth the transition.

### 1. Hone technology skills.

One of the biggest challenges with extracting value from data is a skills shortage in working with emerging technologies. CFOs will have to rely on recruitment and training to ensure their teams can fully leverage the technologies they need to manage and analyze data: automation, artificial intelligence (AI), machine learning (ML), and other advanced technologies.

## Top challenges to generating insights that drive business decisions.

(The three tiers of insight-generation challenges as ranked by survey participants.)

### Tier 1

- Shortage of skills needed to work with emerging technologies
- Increased security and governance risks

### Tier 2

- Increased need for manual management and reconciliation
- Inability of existing data infrastructure and analytics tools to handle increased data volumes
- Diminished data quality and accuracy

### Tier 3

- Shortage of skills needed to generate insights from large volumes of data
- Siloed data preventing timely access



## 2. Put risk and compliance at the heart of data strategy.

CFOs rank increased security and governance risks as the most important obstacles to generating insights—not surprising, considering today’s strict data privacy regulations and increasingly sophisticated cybersecurity threats. To address this, CFOs must place tight governance controls on the accessibility to data and how it can be used. Interestingly, CFOs in the UK consider security and governance risks to be a much greater issue than CFOs in the U.S.—likely due to the earlier adoption of data privacy rules in the UK, such as the General Data Protection Regulation (GDPR). But with tighter data privacy rules likely to be implemented across the U.S., CFOs cannot afford to let risk and compliance slide.

## 3. Explore the possibilities of advanced technologies.

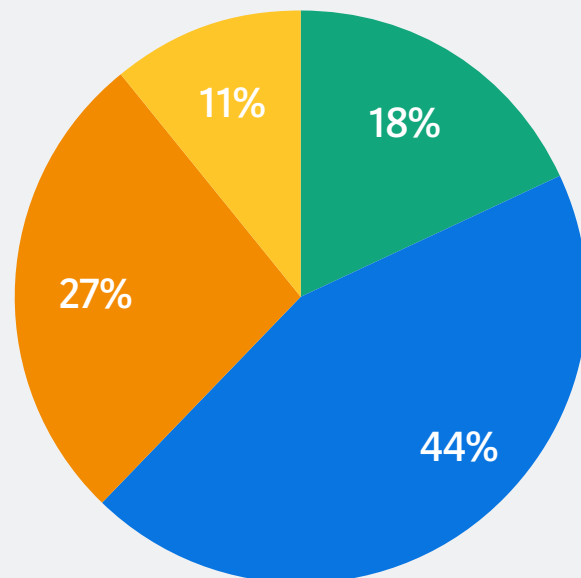
CFOs have never had so many AI- and ML-based technology options at their disposal, yet their use of these technologies is limited. Just 18% use AI to routinely provide prescriptive, personalized, and prioritized insights to the wider business; however, that does not mean they should invest in AI and ML just for the sake of it. First, they must work out which processes would benefit most from new technology. The survey data might help here: responding CFOs believe that ML technology has the most potential to improve their planning and budgeting, management and performance reporting, and financial consolidation and close management.

# 30%

of digital accelerators use AI to routinely provide prescriptive, personalized, and prioritized insights to the wider business, compared with just 3% of digital novices.

## Only the minority of finance functions use AI technologies to routinely deliver insights to the wider business.

- Intelligent AI technologies routinely deliver prescriptive, personalized, and prioritized insights into the wider business to guide decisions
- The wider business has real-time access to financial and operational insights to make business decisions
- Those who collaborate with the wider business to provide real-time financial insights and analysis
- Those who provide financial reporting to the wider business on an ad hoc basis

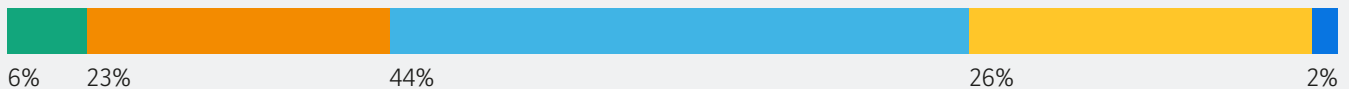


#### 4. Create one source of data.

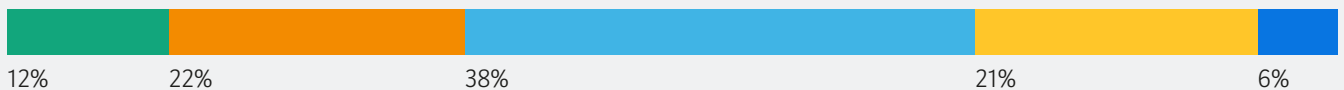
To avoid data conflicts between finance and operational teams, businesses must create one source of data. Our survey reveals that most businesses have one common dataset for only “some” of their financial and operational data. Cloud technologies can help here: in addition to being the single source of data, cloud platforms also enable multiple individuals and teams to access data and collaborate in real time—all in a secure environment. Once a single dataset is established, KPIs and their precise definition must be agreed upon so the wider business can use performance data to make strategic business decisions.

### CFOs are challenged with common datasets for both financial and operational data.

Financial data



Operational data



- Completely—one common dataset for all data
- Mostly—one common dataset for most data
- To a moderate extent—one common dataset for some data
- To a limited extent—one common dataset for a small amount of data
- Not at all—there are multiple versions of many different datasets

#### 5. Become the performance data steward.

As data becomes an increasingly important and strategic business asset, it's imperative that the CFO and the wider finance function have easy access to performance data and are able to oversee how it's collected, stored, and analyzed. Survey participants agree: 44% say that the CFO should be responsible for collecting, publishing, and optimizing enterprise performance data. But only 27% currently have this responsibility.

Business decisions are often delayed due to data challenges—such as not having one accessible, secure, accurate dataset throughout the organization—and this delay can damage performance reporting and analytics.

Resolving these issues is a huge task, but they will be easier to solve if CFOs take responsibility for preventing the oversight of performance data. Only then can they proactively improve data skills, technology governance, and the organization's understanding of risks.

# 44%

of CFOs say they should be responsible for collecting, publishing, and optimizing enterprise performance data, but only 27% are.

## Forward-looking CFOs value predictive and risk-aware teams.

CFOs need to look ahead to what is possible with finance digital transformation for better visibility and better ability to manage risk as they add to their team's capabilities. They must also evaluate the skills they need now and going forward, before recruiting new staff or training their existing team.

The top two skills that CFOs value in their teams are predictive modeling and scenario planning, and risk identification and management. The heightened volatility caused by COVID-19 has no doubt raised the CFO's appreciation for these skills. Predictive modeling and scenario-planning capabilities give CFOs insight into the future so they can plan accordingly. Risk management skills, meanwhile, improve their ability to manage the broad spectrum of risks—from cybersecurity to supply chain interruption—that the pandemic has exacerbated.

In anticipation that COVID-19 will cause a wave of new regulations and compliance requirements, people with advanced understanding of regulation and compliance are also in high demand—though the survey indicates a greater interest in these skills by CFOs in the UK than their U.S. counterparts.

Not surprisingly, the least-desired skill by CFOs is spreadsheet proficiency. CFOs likely now consider this to be table stakes for finance professionals, and place greater value on employees that not only crunch numbers, but also think strategically about the variety of insights needed from data.



## The skills CFOs desire most for their teams.

(The four tiers of required skills for the finance function as ranked by survey participants.)



### Tier 1

- Predictive modeling and scenario planning
- Ability to identify, anticipate, and manage risk

### Tier 2

- Advanced understanding of regulation and compliance

### Tier 3

- Advanced data analysis and data visualization
- Cognitive agility to contend with constant change
- Collaboration and communication with business partners outside of finance
- Proficiency with artificial intelligence and machine learning

### Tier 4

- Proficiency with cloud-based technologies
- Proficiency with spreadsheets

## Evolution of the CFO.

Future skills needs do not stop at the employee level—the urgency to evolve goes right to the top. With the impact of COVID-19, CFOs can perhaps see more clearly which of their skills and capabilities they need to sharpen in order to lead the finance function in an ever-changing world.

Our survey data reveals that the CFO perspective on the skills that will be most important depends on what they want to achieve within the next three years, influenced by the progress on digital finance transformation. Half of CFOs whose main ambition for the next three years is to move from defense (budget management) to offense (top-line growth for the business) say that transformational leadership is the most important skill for the CFO of the future. That is because finance functions will need to significantly adapt how they work and the tasks they perform in order to support the business in offense initiatives.

In contrast, the majority (59%) of CFOs striving for leadership on business-wide transformation say that strategic thinking—the ability to identify opportunities and solve problems—will be the most important skill in the future, and just 28% care about transformational leadership.

These findings emphasize the need for CFOs to assess their capability requirements—and those of their teams—in the context of the business's broader strategic objectives.

## Conclusion

As the COVID-19 pandemic evolved, CFOs deprioritized the pursuance of any finance digital transformation initiatives in favor of cost containment, cash and liquidity management, and revenue projection. COVID-19 has changed the meaning of agility and has proven that digital transformation is more than a nice to have—it's necessary in order to thrive in the future.

But transformation initiatives should not be postponed indefinitely. The survey data reveals that those who have already pursued finance digital transformation perform much better when it comes to agile business practices, swift decision-making, and efficient reporting, planning, and financial close. These are the characteristics CFOs and their teams need in order to help their business thrive in the next normal.

Transforming the finance function is not an easy task. The survey data reveals a wide range of challenges that CFOs must face head-on if they are to be successful—from a lack of technology skills and inefficient access, to performance data and a cultural inertia to change.

Fortunately, CFOs have the power to dismantle these obstacles. Throughout this report, we recommended a number of ways that CFOs can do so. By addressing these challenges, CFOs can set an example for the wider business. They can set in motion a wave of change that can transform not just the finance function, but also the entire enterprise.

Four steps to accelerate your transformation journey:

1. Prioritize investments in technology that provide greater forward-looking visibility and support risk management across your teams.
2. Identify and address skills gaps and define what capabilities are needed before working with HR leadership in order to maximize the benefits of new technology initiatives.
3. Lead by example and rethink KPIs to encourage experimentation and overcome resistance to change.
4. Consolidate data into a single source for truth and take ownership of how enterprise performance data is managed.



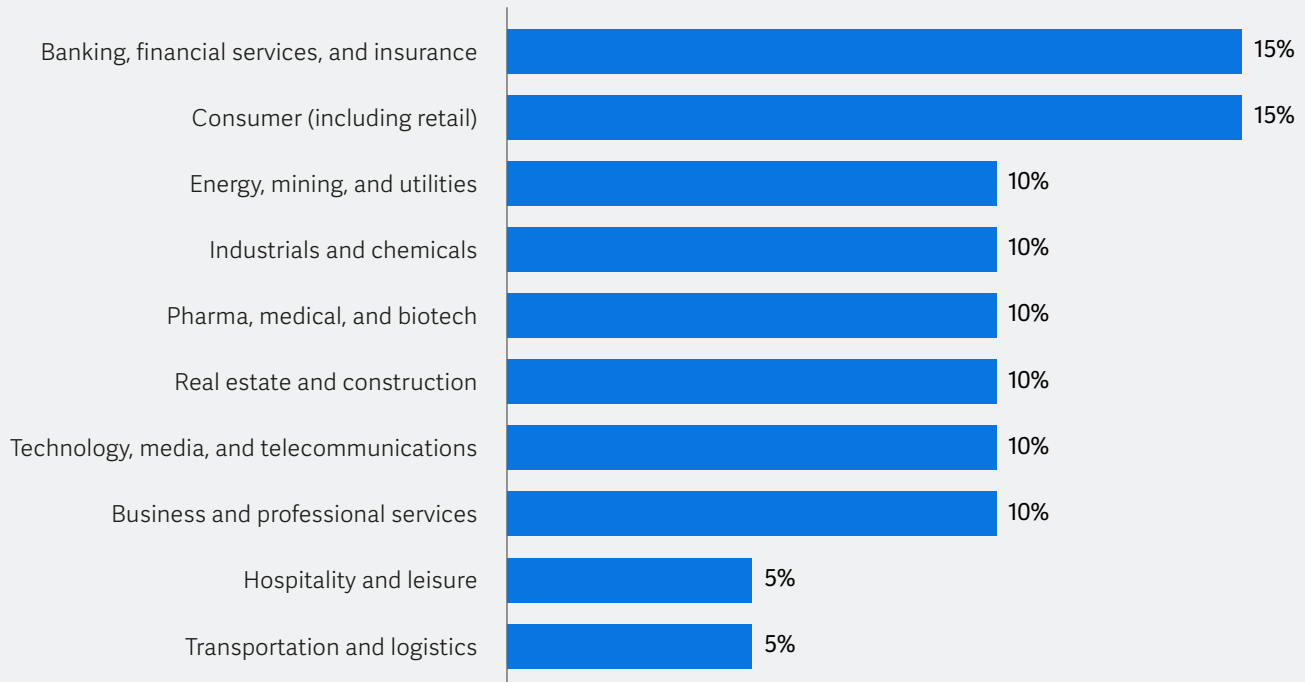
## About the Research

The findings in this research are based on a survey of 225 CFOs conducted in April and May 2020. The majority of participants are located in the U.S. (60%), 30% are located in the UK, and the remaining 10% are based in a range of countries including Singapore, Australia, and Canada.

Participating CFOs work for companies across sectors, including financial services, consumer, energy, industrials, and pharma (see diagram below). The sample was evenly split among CFOs that work for small (<500 employees), medium (500–3,500), and large (>3,500 employees) organizations.



## Participants by sector.



+1-800-303-6346 Fax: +1-925-951-9001 [adaptiveplanning.com](http://adaptiveplanning.com)

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