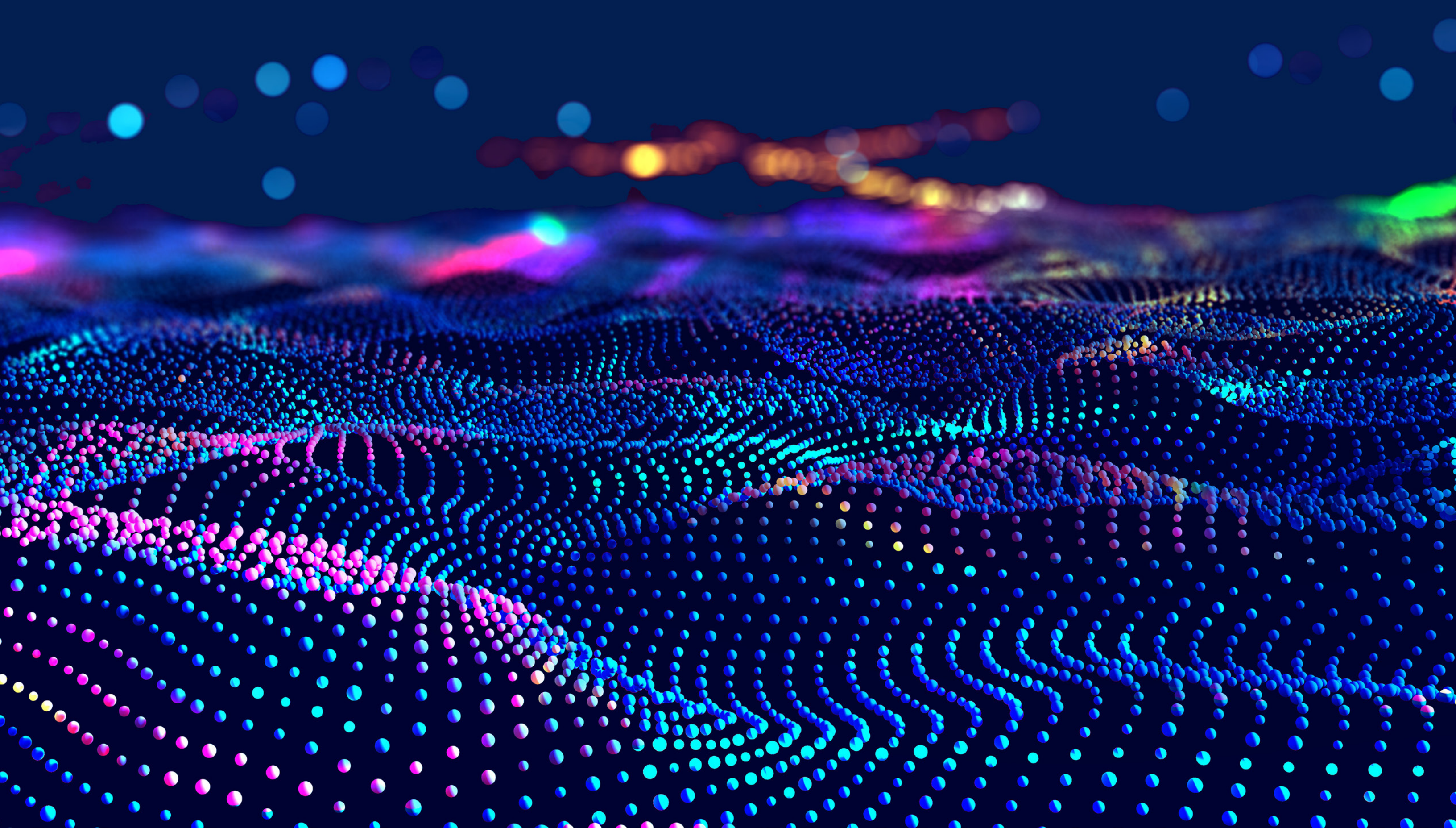
A StrategicCFO360 and SAP Research Report

HOW NEW TECHNOLOGIES ARE INNOVATING FINANCE

Modern Finance Requires Focused Change Management



Modern finance and risk teams are embracing technology more quickly than in the past, thanks to innovations such as automation and artificial intelligence that help them achieve their goals and enhance collaboration with their counterparts across the value chain of the business. Nearly two-thirds (64 percent) of CFOs participating in a survey conducted by StrategicCFO360 and SAP in September 2021 say the influence of the finance function in corporate technology decisions has increased over the past year—and even more so at larger organizations ($1 billion + in annual revenues), where 81 percent of CFOs report having gained more influence over technology decisions during the same period.

There's no doubt that enhancing a company's tech arsenal with modern innovations has a significant impact of the bottom line. But with new technology comes the challenge of overcoming an inherent resistance to change. To help CFOs better manage on-going changes in their business environment and further optimize end-to-end processes, the survey asked 135 senior finance executives at U.S. organizations about their finance journeys, as related to their strategies of adopting innovative technologies. This report presents our findings, as well as considerations to ensure that change management is a key piece of the strategy when leveraging new intelligent technologies.

KEY FINDINGS

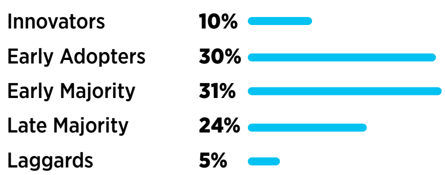
- Seventy-one percent of CFOs say they are ahead of the curve in terms of openness to change with technology systems; only 5 percent consider themselves laggards.
- Two-thirds (64 percent) of CFOs say their influence in technology decisions has increased over the past year—and even more so at large companies.
- Three-quarters of CFOs identified the automation of resource-intensive and manual tasks and the ability to leverage finance and risk capabilities in the Cloud as the main elements of a "modern finance platform."
- Among larger companies, however, "one source of the truth" (i.e., having one data source for all financial transactional and analysis processes) ranks first, even above the Cloud and automation of manual tasks, as the most important element of a modern finance platform, with 81 percent of the responses, compared to only 50 percent of small company (less than $10 million) CFOs prioritizing this category.
- Workflow and predictive analytics are the two types of automation that CFOs believe have the highest potential for enabling the most value-added use cases, with 68 and 54 percent of the responses, respectively.

Maturity of Finance Organizations and their Influence on Technology Spend

The Covid-19 pandemic has accelerated companies' journey to digitization. For many, these changes came suddenly, without the ability to plan for remote work, which for most companies occurred just prior to a quarterly close. Yet many finance teams were able to use these circumstances as a catalyst to accelerate their adoption of new technologies to successfully perform their tasks.

Still, organizations remain diverse in their technology innovation and adoption maturity levels. Only 10 percent of CFOs participating in our research consider themselves "innovators"—with an additional 30 percent saying they are threading the line as "early adopters," and another 31 percent who consider themselves part of the "early majority." Nevertheless, 29 percent remain behind, as "late majority" or "laggards."

Compared to other parts of your organization, where does the finance function rank in terms of openness to change with technology systems?



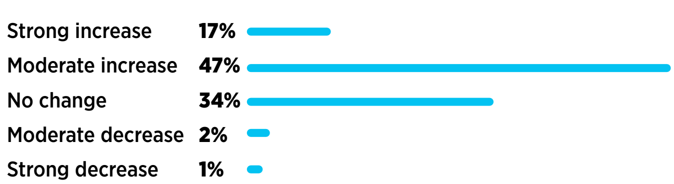
As a matter of fact, finance organizations have begun to transform their own teams, leading other areas of the company in the adoption of new technologies. Other lines of business, such as the supply chain, may not be ready to leverage new technologies quite as quickly due to the complexity of the physical shop floor.

For finance teams, this adoption of technology often begins with the analysis of not just financial disclosures such as financial statements, but also more granular managerial views of profitability with dimensions such as profit and cost centers, customer, product, geography and channel. Finance teams then eventually embrace technology to help automate transactional processes. For example, a shared services center helps to standardize processes across the company, with capabilities that support automated receivables and payables, which in turn lead into proactive cash management.

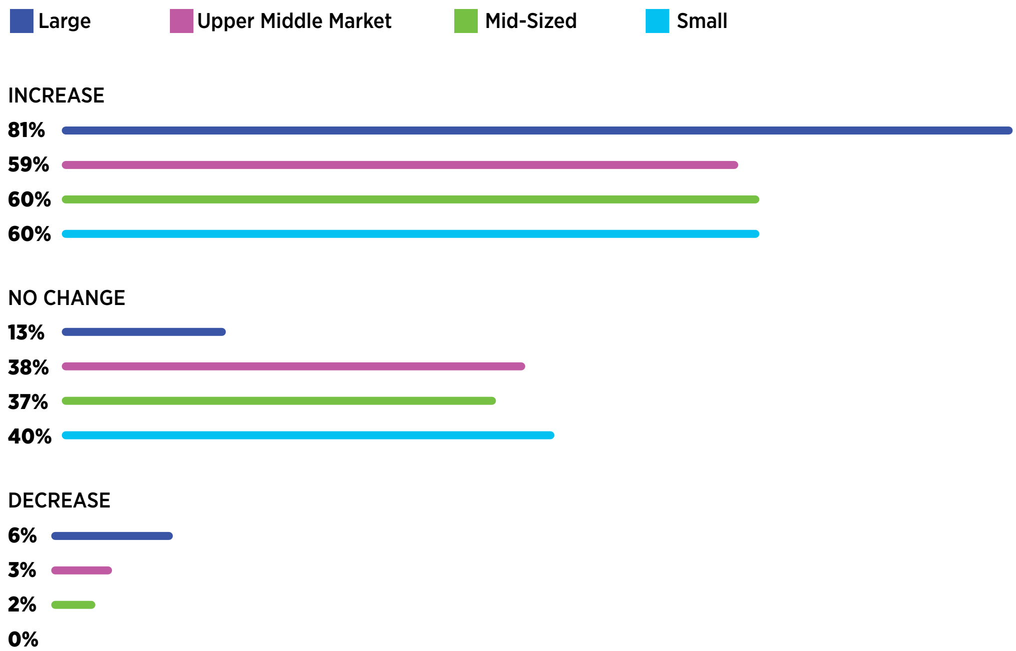
Since finance teams are gaining this knowledge more quickly, they are positioned to help other lines of businesses embrace change and share learnings. Respondents to the survey specifically called out a desire to engage with sales and operations to help them improve their performance, to position themselves as going beyond a simple accounting function. Others indicated that their goal is to create a finance-driven strategy to achieve maturity across the entire value chain.

And as finance becomes a more strategic partner to the business, technology is necessary to allow finance to advise the business on strategic decisions from a data-driven perspective. Finance is well-positioned to continue a finance-led adoption of technologies, with an increasing number of finance executives influencing technology decisions at their organizations (up 64 percent over the past 12 months). This trend is gaining even faster traction at larger organizations ($1 billion + in annual revenues), where 81 percent of CFOs report having gained more influence over technology decisions over the past year.

Compared to other parts of your organization, how has the influence of the finance function in corporate technology decisions changed over the past year?



Compared to other parts of your organization, how has the influence of the finance function in corporate technology decisions changed over the past year? (By Company Size)



One explanation of the increase in finance teams' influence over technology decisions can be attributed to changing organizational structures. In many organizations, CIOs report to CFOs. Another common scenario is that finance teams have direct responsibilities for newly implemented systems. During implementation projects, finance business analysts are often placed into teams that have both functional and technology responsibilities. With a trend in finance software of developing applications with the business user in mind, many IT tasks, such as creating reporting variants, can be handled by these power users, or the business users themselves, making them directly responsible for these technologies.

More importantly, the value that finance and risk teams can provide to the holistic organization relies on the value of their access to information in real time and the ability to flexibly extrapolate trends to support decision-making at all levels of a corporation.

Automation and AI and the Modern Finance Platform

With so many advances in technology solutions for finance and risk teams, modernizing the finance function is a term that has lately become mainstream. When asked about what they consider a modern finance platform, three-quarters of CFOs selected the automation of manual tasks and the adoption of Cloud technology as being the most important aspects. This finding may not be surprising since most organizations have, by now, adopted the Cloud in one form or another—and perhaps it is the reason why 40 percent of CFOs believe they are innovators or early adopters of technology.

What do you consider the elements of a "modern finance platform" in your company?

Automation of resource-intensive and manual tasks **76%**

Finance software that runs in the Cloud **74%**

Seamless integration of planning, budgeting, transaction processing, financial consolidation, external reporting and analytics **68%**

One source of the truth (no data duplication to reduce reconciliation) **64%**

Predictive analytics **50%**

Ability to seamlessly support new business models **44%**

Artificial intelligence (AI) / Machine Learning / Robotics Process Automation (RPA) **31%**

Consumer-grade usability of applications **24%**

Pre-defined content for business and industry scenarios **11%**

Other **4%**

None of the above **0%**

** Respondents were asked to select all that apply.*

Looking at the differences in the results by company size, large companies typically have more data in multiple locations, so it stands to reason they prioritize one source of the truth for reduced redundancies and reconciliation requirements. And since systems have likely been in place for longer periods, they are more ready to move forward into technologies such as AI.

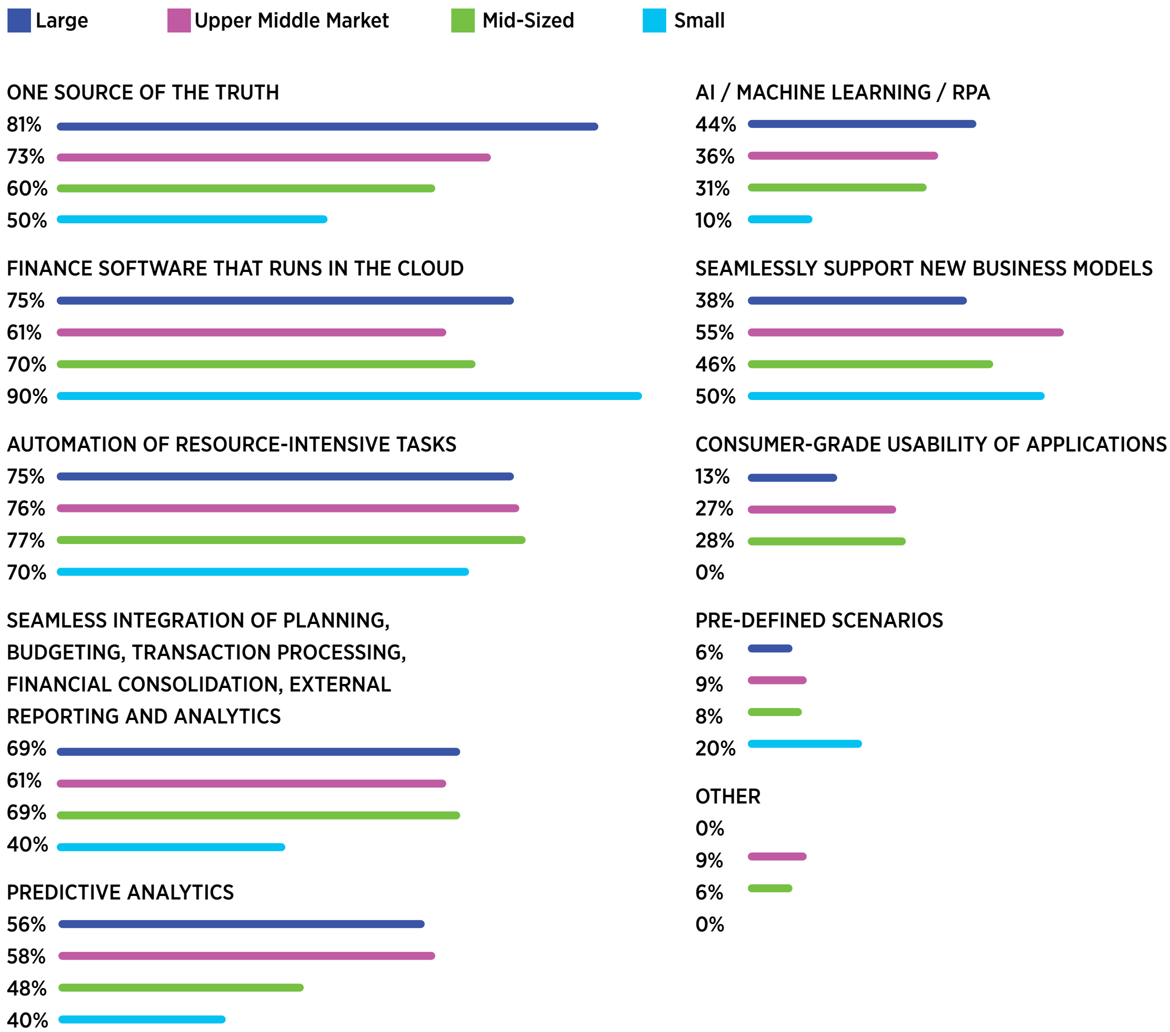
Smaller companies, on the other hand, have fewer resources, including for IT, so they tend to prioritize Cloud more highly, along with the availability of predefined scenarios in the software. A focus on new business models will also allow them to grow.

There is consistency in the findings between companies of all sizes in prioritizing automation; all companies, both large and small, are seeking to do more with less. Even though the personal usage of many consumer-grade applications has soared, this does not yet apply to a need in business scenarios.

In terms of differences between industries, the data shows manufacturing companies prioritize seamless integration with other areas of the company as well as between finance systems, which is not a priority for companies in sectors that are focused on delivering services, since they do not need to incorporate manufacturing scenarios.

Certain industries also have specific requirements. Media, marketing and advertising, for instance, put a high priority on the support of new business models, so the sector—along with manufacturing industries—prioritize predictive capabilities more than others, likely because of the high investment in supply chain assets.

What do you consider the elements of a "modern finance platform" in your company? (By Company Size)

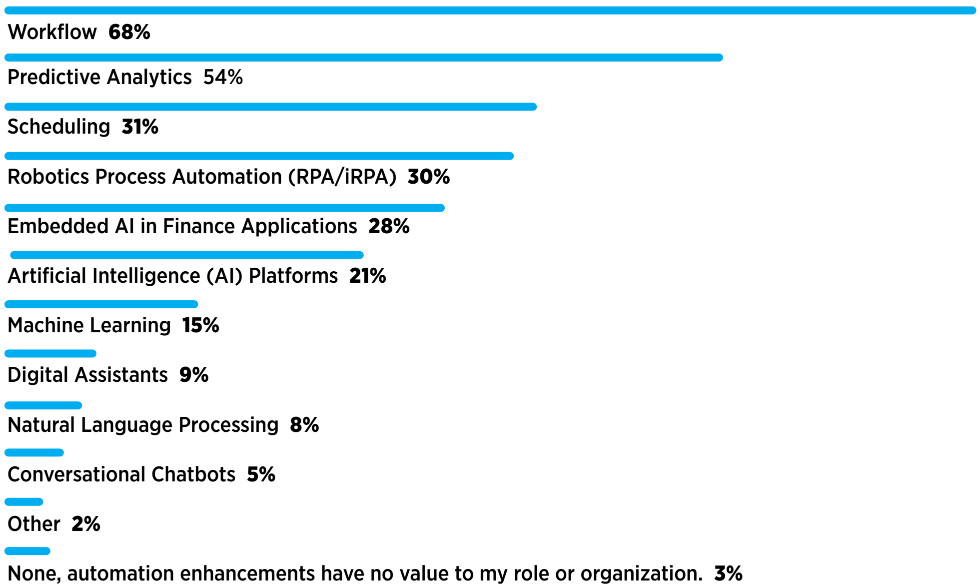


What do you consider the elements of a "modern finance platform" in your company? (By Select Industries)

	Adv./ Media/ Ent	Construction/ Eng.	Energy/ Utility	Financial Services	Gov/ Nonprofit	IT/ Telco	Consumer Mfg	Industri-al Mfg	Professional Services
Workflow	78%	92%	71%	44%	83%	38%	67%	83%	57%
Scheduling	11%	42%	43%	11%	50%	25%	44%	39%	14%
Robotics Process Automation (RPA/iRPA)	33%	25%	29%	22%	0%	38%	22%	28%	57%
Machine Learning	11%	17%	14%	22%	0%	38%	0%	11%	14%
Predictive Analytics	56%	58%	57%	56%	50%	50%	33%	61%	43%
Natural Language Processing	0%	0%	0%	22%	0%	25%	0%	11%	29%
Conversational Chatbots	0%	8%	0%	0%	0%	13%	11%	0%	0%
Digital Assistants	0%	8%	14%	11%	17%	13%	0%	0%	14%
Artificial Intelligence (AI) Platforms	22%	17%	29%	33%	0%	25%	22%	6%	57%
Embedded AI in Finance Applications	22%	25%	43%	11%	33%	38%	22%	17%	43%
Other	0%	0%	0%	0%	0%	13%	0%	0%	0%
None, automation enhancements have no value to my role or organization.	0%	0%	0%	0%	0%	0%	11%	6%	0%

At a time when continued heightened volatility is forcing many companies to be cautious in their capital expenditures and investments, the case for new technology deployments can be a difficult one to make. Yet, responses provided by CFOs in our study indicate that finance executives see tremendous value in several innovations, particularly those focusing on automation, and the integration of transactional, planning and analysis capabilities and processes. Leveraging these technologies can have a significant ROI, allowing finance teams to meet their stated objectives of advising the business as whole.

Of the latest automation enhancements, whether you've already implemented them or not, which do you believe have the potential for being the most value-added use cases to you?



**Respondents were asked to select all that apply.*

The data shows a slight bias toward capabilities that have been a mainstay for years but which are experiencing a resurgence with updated capabilities, such as workflow, which is seen as essential to 68 percent of surveyed CFOs. Predictive analytics ranks second, with 54 percent of CFOs prioritizing this capability, and it has been used extensively in the past, especially in planning scenarios. It appears from the responses received that the highest perceived value-add is attributed to items where there is more familiarity with the benefits that can be achieved by their usage.

Looking at automation by company size, the data shows predictive analysis as the enhancement of choice among larger companies vs. workflow for their smaller peers. Smaller companies are likely more focused to do more with less, so automation and workflow rank highly. Larger companies have more complex structures, where predictive capabilities will help analyze most options available to them, by automatically detecting trends and suggesting adjustments to value drivers; with only manual evaluations, only a subset of available options can realistically be evaluated.

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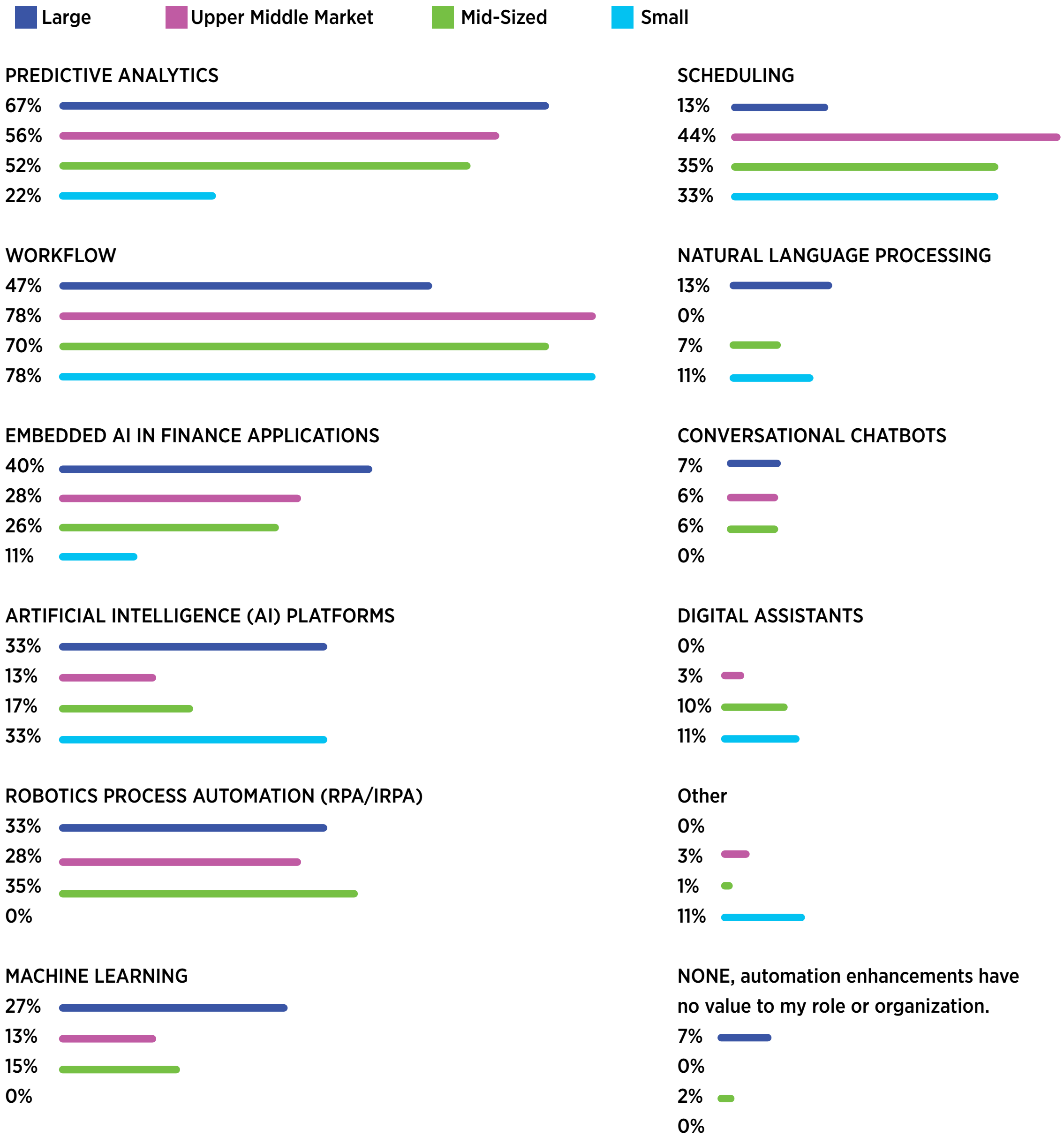

Once again, the data highlights a potential bias for familiar elements. While that may be caused by the current environment, where risk-taking and "nice-to-have" enhancements may be set aside until there are fewer headwinds, several perceptions may also be holding finance executives back from leveraging AI, machine learning and RPA.

These emerging technologies bring up the rear, potentially due to a lack of understanding about how they can be implemented. Upskilling is required to be able to explain the logic of how AI technologies arrive at their proposals. It is also possible that it is not well understood that AI is often already embedded within software and does not need to be implemented from the ground up.

It is especially these advanced solutions that are a source of fear for many teams, so it is important to ensure that these technologies should support finance and risk teams, not replace them. For example, in looking at the implications of an M&A scenario, while AI can determine the expected financial implications of such a decision, we still need the human element; a machine will not have insight into soft factors such as whether corporate cultures will work well together in partnership.

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None, automation enhancements have no value to my role or organization.	0%	0%	0%	0%	0%	0%	11%	6%	0%	

While there is some consistency in the responses by industry, there are some that clearly prioritize different aspects of technology. The government and non-profit category appears to have the least interest in AI, unless it is already embedded within processes. Energy and utility companies have a similar leaning. One conclusion that can be drawn is that for industries that are heavily regulated, there is a concern about the explicability of results unless they are embedded in existing applications where standard reporting is available.

On the opposite end of the spectrum, professional services companies have the highest emphasis on AI and its various components, including machine learning and RPA, followed by IT and telecommunications firms. These are specifically industries that do not rely on manufacturing, so there is likely more flexibility in a more widespread usage of these advanced technologies.

Automation and AI can add strategic value to finance and risk teams—and to organizations as a whole. Many companies begin their journeys with implementing transactional solutions, such as workflow. For more advanced processes, such as clearing open items, significant time savings and error reduction compared to manual processes can be achieved. Such processes also have a positive influence on corporate KPIs, such as lowering the days sales outstanding (DSO) by automating receivables processes or increasing the speed of the financial close. This automation frees up time to handle only true exceptions and enables teams to do more strategic work. For more strategic applications, including predictive and AI-driven scenarios such as planning, cash and liquidity management, and fraud management to detect early warning signs, these systems should support decision-making, not replace the human factor.

Change Management as the Key to Success

All of the CFOs surveyed agree that new technologies that are embedded into end-to-end processes are critical to a modern finance platform, and that leveraging them constitutes a best practice for transforming finance organizations. Once the company has identified which technology is a truly value-add for both the finance function and the business overall, the challenge becomes managing change among finance teams and their counterparts throughout their organizations.

As we saw with the recent pandemic, the types of changes faced by businesses could not be anticipated, and change could only be managed after the fact. However, successful companies were able to pivot quickly. Some changed their corporate strategies to include new business models; some changed their organizations to assign responsibilities for new services and partnerships offered to customers; others changed their processes not only to support new business models but also to quickly find new ways of working together with exclusively remote teams.

The effective use of technology is key to supporting changes in corporate strategy, organizational models and processes. From the survey results, topics of collaboration with operations and sales—effectively the entire value change—were specifically called out by participants, which also ties into prioritization of one source of the truth and predictive analytics to help support such a mission.

Change management should be considered a key component of setting overall corporate strategy and should be cascaded down for all types of change, including the adoption of technology. The normal cycles of any project apply to change management, including planning, communication, execution and feedback.

Resistance to change is common within corporations, especially for technology projects, often from a lack of understanding of new technologies and the impact they will have on the day-to-day activities of teams and individuals. Communication is important, starting with executive buy-in and reinforcement at all levels, and should include not only what is changing but also how a transformation is planned, why and the expected impact the change will have on team members.

In addition, employees may have concerns about job security, especially when it comes to technology changes. Processes and specific tasks are likely to change, either in the way they are performed or whether these activities are still necessary. The goal of automation is to reduce the manual tasks that need to be performed and provide support to executives making business decisions. Instead, with education and training programs, finance team members can increase their skills and job satisfaction and add strategic value to the business with their new skills and tasks.

The results of effective change management can be measured by concrete KPIs, such as adoption and bottom-line results for the business, as well as with soft measurements including employee responsiveness and satisfaction. As finance and risk teams embrace change, they can lead other units in their organizations to embrace change and drive the positive impact it can have on each team member individually, as well as how this change can drive positive business outcomes.

CONCLUSION AND TAKEAWAYS

Finance and risk teams are expanding their influence across their organizations, with earlier adoption of technologies than their counterpart, and with increasing influence over the technology investments of their companies. A primary focus for finance teams is to provide service beyond the accounting function and increase their collaboration across the entire value chain; to provide insight-driven guidance to recommend and support strategic decisions on the corporate level.

A modern finance platform that includes automation and AI technologies supports finance with insight across business units, the ability to reduce manual tasks and access to systems through the Cloud. Finance and risk teams see the value of more AI-driven technologies to support them, focusing first on better-understood technologies such as workflow and predictive capabilities. As more AI-based technologies are understood, including how they can assist finance and risk teams to collaborate with other lines of business, finance teams are likely to increase their adoption for more AI-driven technologies such as machine learning and RPA.

Finally, change management is a critical element for finance and risk teams to transform their organizations to support their companies. Technology changes are often the result of organizational, strategic and process changes. Communication of the reasons for the change and its benefits to team members is key to success. Change management should be implemented as a workstream and, at a higher level, be included in proactive planning and risk management, even ahead of individual projects, to ensure that companies can be prepared in the event of major changes and leverage any learnings to successfully navigate future changes and technologies.

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