



Unlocking agility in finance teams: Leading from the top

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Introduction

Within a constantly evolving business landscape and a volatile global economy, an organisation's ability to move quickly, and effectively to anticipate and take advantage of change, is crucial. An agile business that can pivot as required has a distinct competitive edge over its competitors – highlighted by the way digital-first players are successfully challenging established organisations through the ability to disrupt at speed.

In this research, we look at how finance leaders are thinking about agility as they seek to embrace digital transformation. A huge part of achieving organisational agility is the ability not only to derive cost savings but also create revenue streams from new digital paths. Digital transformation has moved to the top of the C-suite agenda, but the finance function in particular has a key role to play in this new way of operating, driving the processes which underpin the move to digital.

However, moving to an agile operating model is tough, especially for established companies, as our survey of UK-based finance leaders highlights. Throughout the report, we highlight where digital-led efforts to drive agility have got to within the UK's finance teams, what separates the 'leaders' from the 'laggards' and the series of disconnects that are potentially holding back transformation efforts.

I believe that the time for businesses to embrace organisational agility is now, if they are to flourish in the age of continuous innovation. For finance leaders, the opportunity is there to become true business transformers and lead the charge to become an agile organisation, but, as we will see, there are five key areas that must be addressed if this transformation is to happen.

Tim Wakeford, vice president, financials product strategy, Workday

Key findings at a glance

The finance function has changed

- The majority of CFOs and finance professionals say they are involved in the execution of a digital transformation strategy within their department, confirming the function has changed from just financial reporting to being involved in driving a digital strategy.
- According to 43% of finance professionals, their business strategy is agile. Evolution is crucial to the function's health and output, with a further 29% saying it is changing for growth purposes.

Progress is hampered by many barriers

- Organisations find themselves coming up against a number of barriers, slowing the process of responding to changing business needs.
- These include the lack of alignment among the c-suite, a lack of motivation to move away from legacy processes and a lack of insightful data and market intelligence.

Too many organisations fail to measure technology success and therefore lack responsiveness

- Only 29% of respondents said they have the tools to measure the performance of new digital products and service lines
- 77% said that while data is accessible, it's often siloed within teams or is out-of-date

There's a clear disconnect between leadership and the rest

- When asked if customer facing employees have the data they need, 64% of leaders believe they do, with just 48% of the rest of the function concurring.
- While 28% of CFOs believe people within their organisation have access to timely and relevant data, only 13% of non-CFO finance professionals believe this to be the case.
- More CFOs believe that their organisation is fast to act on failing investments than non-CFOs

About the research

The analysis in this report has been compiled using responses to Financial Director's online survey of senior UK-based financial professionals and other financial decision makers conducted in December 2019 and January 2020. Over 200 responses were received. The survey was carried out by Financial Director in partnership with Workday.

The responding financial professionals work across a mix of sectors, most notably professional services

(15%), financial services (12%), technology (12%) and government (10%). Respondents work in a mix of organisation size, with 20% of respondents working in larger organisations with over 5,000 employees.

Chief Financial Officers (CFOs) made up 47% of respondents. The other 53% was formed of finance analysts, finance managers, financial controllers, directors of financial planning and analysis and Chief Accounting Officers.

CFOs: Agility champions?

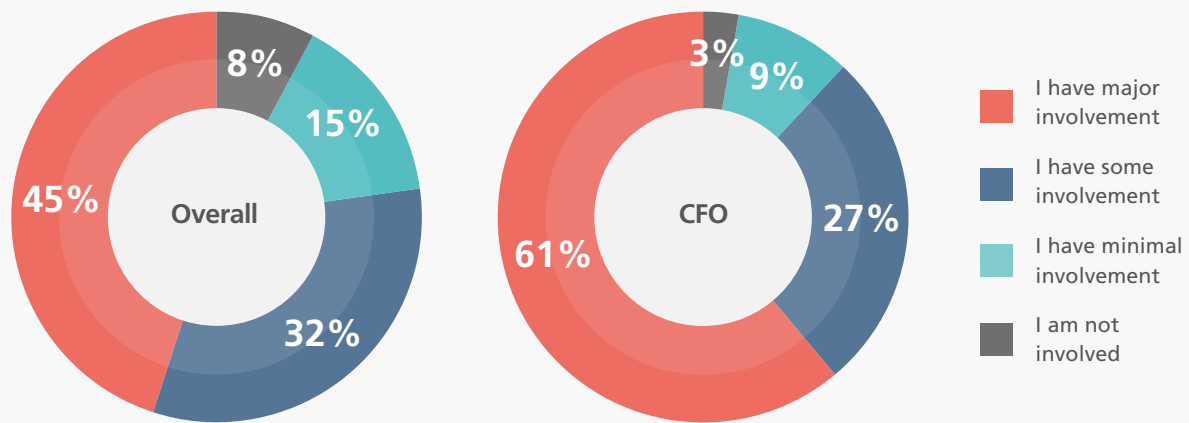
When it comes to the digital transformation required to become an agile organisation, finance plays an integral role in its success.

They recognise that, regardless of industry, the operational backbone needed to drive innovation at scale revolves around the management of two critical resources: people and money.

A report published by Workday at the end of 2019 – *Organizational Agility at Scale: The Key to Driving Digital Growth* – identified how leaders in the race to fully unlock organisational agility are most likely to point to the finance department as the key contributor to digital growth.

It's therefore encouraging to see the high level of involvement in the execution of the digital transformation strategies amongst our respondents, a figure that climbs when you look at responses from CFOs only.

WHICH OF THE FOLLOWING DESCRIBES YOUR DEGREE OF INVOLVEMENT IN THE EXECUTION OF THE DIGITAL TRANSFORMATION STRATEGY IN YOUR DEPARTMENT?



Our results also highlight a trend that shows the impact a CFO's major involvement has on digital transformation – organisations tend to perform better across five key characteristics of organisational agility.

Across those five characteristics, we asked how involved the CFO was.

CFO STRATEGY AND DIGITISATION

Driving business model innovation to create a portfolio of digital products and services

CFO has major involvement
45%

Creating widespread acceptance that digitally-derived revenue streams are critical to future success

CFO has major involvement
52%

Deriving a significant share of revenue from new digital propositions relative to traditional revenue streams

CFO has major involvement
45%

Articulating a clear digital growth strategy

CFO has major involvement
48%

Establishing performance metrics to measure digital revenue growth performance

CFO has major involvement
43%

Finance team: the need for speed and clarity

While our survey makes it clear that leaders recognise the need for agile finance teams within agile organisations – and are making strides in the right direction – it’s clear that progress is slow and steady and that the majority of businesses have a way to go to drive digital growth.

When asked about their ability to quickly pivot to new opportunities, over 40% said that traditional hierarchies restrict their organisation. Further, 63% could not agree that their organisation is able to quickly reallocate people with skills required to take advantage of such opportunities.

This shows there is still much room for improvement among many organisations to increase the speed at which they can react to new opportunities.

In workday’s global 2019 survey – Organizational Agility at Scale: The Key to Driving Digital Growth, five characteristics of organisational agility were identified: responsive, adaptable, skilled, empowered, in control. Overall, our research data shows that only 15% of respondents believe their organisations are well on the way across all five characteristics of an agile organisation.

It’s also clear that the finance function considers their organisation as being at various stages of their transformation journey – and therefore exhibit different qualities of agile organisations.

It’s clear that progress is slow and steady and that the majority of businesses have a way to go to drive digital growth.

When asked how much progress respondents were making in their department, team or function, the results found that while the majority of organisations had made significant progress within the eyes of finance professionals, clarifying lines of responsibility and removing unnecessary bureaucratic processes, they had seen limited progress in C-suite collaboration and creating a free-flow of data between functional departments.

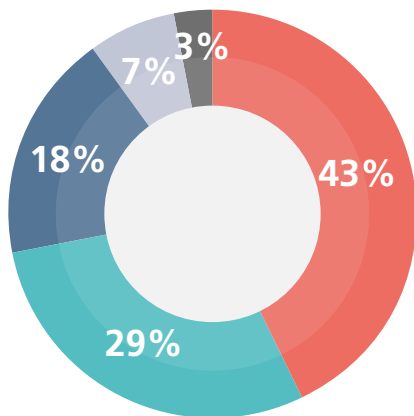
Very few, however, indicated that their organisation had made no progress in these areas.

When questioned over company strategy, it was interesting and encouraging to see that the highest percentage of respondents had an agile, constantly evolving strategy in their department/team/function, suggesting they are already agile to a degree.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Traditional hierarchies mean my company/organisation is often too slow to pivot to new opportunities	12.6%	23.0%	24.1%	33.3%	6.9%
We can quickly reallocate people to where their skills are needed to take advantage of new opportunities when they arise	6.9%	28.7%	27.6%	32.2%	4.6%
My company/organisation has a system to measure skills and skills gaps	13.8%	26.4%	41.4%	17.2%	1.1%

	No progress	Limited progress	Significant progress	Don't know/ not applicable
My company/organisation has simplified and clarified lines of accountability	3.6%	45.8%	49.4%	1.2%
My company/organisation has removed bureaucratic processes that slow decision-making	8.4%	39.8%	50.6%	1.2%
Functional leaders CIO, CFO, CHRO, collaborate seamlessly as a team to quickly respond to digital opportunities	7.2%	49.4%	38.6%	4.8%
My company/organisation has a free flow of data and information across functional departments which facilitates decision making	4.8%	51.8%	38.6%	4.8%

HOW WOULD YOU DESCRIBE YOUR ORGANISATION'S APPROACH TO SETTING A STRATEGY?



- The strategy constantly evolves based on continual learning from the business and/or customers
- It does change in order to grow, but does not constantly evolve
- Changes occasionally but only under specific circumstances
- The strategy rarely changes
- It's fixed for a defined period and does not change over time

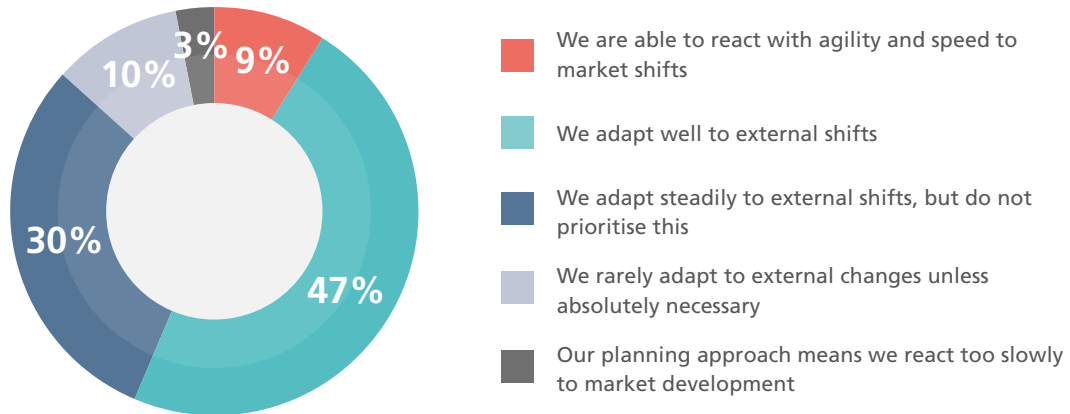
The answers to these questions suggest a potential disconnect between reality and perception. While a marginally higher percentage (52.7%) of respondents selected limited or no progress to the questions on their organisation's agility, the fact that constantly evolving organisational structures are being favoured suggests an element of agility must already be in place. Continual learning and feedback must be taking place.

This disconnect suggests that finance teams are trying to be agile but are coming up against forces that are preventing change. They understand the need to transform, and while 86% said they are able to react, only 9% said that they are able to react with agility and speed.

Those that said they adapt well to external shifts made up 47% of respondents. A substantial number of respondents – 43% – said they reacted 'steadily' or slower, suggesting the speed that is required to be agile is still not being reached by a large section of finance professionals.

The indication is that those who are unable to adapt quickly to external changes are facing obstacles to become an agile organisation.

TO WHAT EXTENT DOES YOUR COMPANY/ORGANISATION'S APPROACH TO STRATEGY AND EXECUTION ENABLE IT TO RESPOND TO EXTERNAL SHIFTS SUCH AS CHANGES IN THE ECONOMIC AND GEOPOLITICAL LANDSCAPE?



Obstacles to becoming agile in finance

With a clear understanding of the need to transform, what's preventing organisations and finance teams from successfully executing their plans?

It's interesting to note how this compares with the Workday *Organizational Agility at Scale: The Key to Driving Digital Growth* survey where the barriers were identical to those identified by transformation leaders from across all sectors and from around the world.

Firms are looking to become more agile in order to achieve two key outcomes: To be able to see what's coming and therefore plan ahead, and to be able to transact quickly and more efficiently. Agile firms plan in a continuous, real-time manner, which means budgets and forecasts are active and updated to reflect ongoing changes. However, a lack of motivation to move away from legacy processes is cited as the number one barrier to respond to changing business needs, meaning organisations are shying away from the technology which could enable their agility and ultimately future success.

Top five barriers to updating processes in response to changing business needs:

- 1** Lack of motivation to move away from legacy processes
- 2** Lack of insightful data and market intelligence
- 3** Failure to engage the wider organisation
- 4** Inflexible legacy technologies
- 5** Bureaucratic organisational culture

Top five obstacles in moving to real-time planning:



When asked what the main obstacles are in moving to more comprehensive, real-time planning integrated across an enterprise, similar issues were listed, with the notable addition of people skills:

Together, these obstacles highlight how a lack of integration remains a problem as organisations head towards digital transformation.

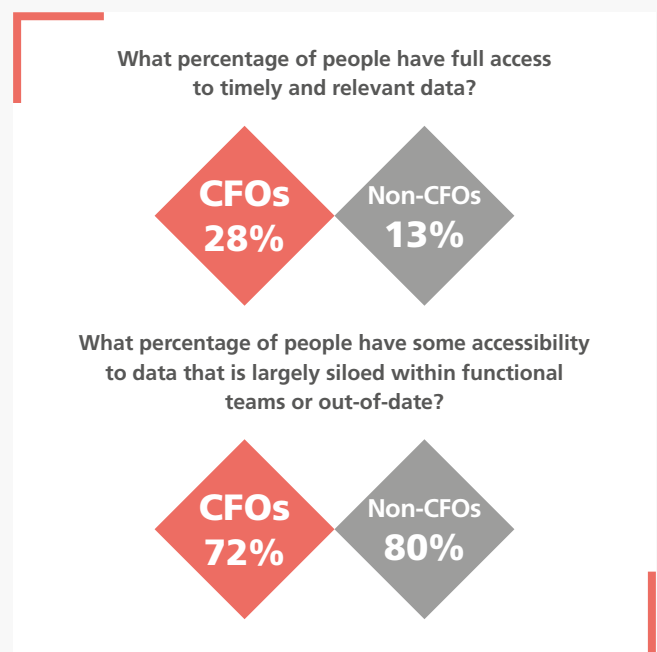
The obstacles listed show how organisations are not hiring the right talent or upskilling their employees sufficiently, that technology is not providing them with enough data or is outdated, and that the planning process is not well integrated across the organisation.

When technology, people and processes live in separate systems with little or no integration, as the top five obstacles suggest, and without the necessary data to offer the right insights, it's extremely challenging for businesses to operate with agility and flexibility.

The leadership perception gap

One of the most interesting – and concerning – trends we discovered through our survey was a disconnect between CFOs and the other finance professionals.

While CFOs are clearly playing a key role in driving forward digital transformation strategies, there are differences of opinion highlighted by the research, particularly over access to data. For example, nearly one-third of CFOs believe employees have full access to the data they need, versus only 13% of non-CFOs. In larger organisations, this figure drops to just 4%. When it comes to access to data, the lifeblood of agile organisations, this is clearly of concern.



Further differences of opinion were highlighted in our next question, where CFOs believed a higher percentage of customer-facing employees have the data they need to respond to customers than other respondents to our survey. The same clear difference in data was apparent when responding to the question of whether those customer-facing employees are empowered to make decisions themselves to improve the customer experience.

Further disconnects were found when respondents were asked about decision making within their organisation. 57% of CFOs believed that customer-facing employees had seamless access to all data they need to respond to customers, while 44% of non-CFO finance professionals believed this to be the case.

The gap between the two increased, however, when asked if they felt that customer-facing employees are empowered to make decisions themselves about improving the customer experience, with 67% of CFOs saying they felt this was the case and just 32% of other finance professionals agreeing.

This suggests that non-CFO finance professionals feel that organisations need to do more to ensure that all employees have access to the necessary data in order to adapt to changing environments.

When asked whether customer-facing employees must seek managerial approval to make decisions, there was also disagreement among CFOs and the rest of the finance function. Only 38% of CFOs felt customer facing employers should seek approval, while 50% of the rest of the department said they must.

Difference of opinions

This pronounced difference of opinion is of great concern if finance leaders are to realise the full benefits of digital transformation.

Any disconnect between leaders of transformation and those ‘doing the doing’ will hold digital growth back. Put simply, if people don’t have the data they need, they can’t perform their role to the best of their ability.

Technology investment and integration is also called into question when change leaders and those doing the work have a difference of opinion. We know from the exploits of digital-first organisations and leaders of digital transformation that effective, deep, multi-layered change only happens when there’s effective buy-in across the whole organisation.

Culture and data go hand-in-hand

The relationship between data and culture shouldn’t be overlooked here either. For example, even if customer-facing employees have the access to data that they need, the data shows that they are not empowered to use it and interpret it to make decisions of their own in order to improve the customer experience.

Our survey results suggest there could be a break between CFOs and the wider organisation regarding the attitude towards and belief of what data really is and how it’s used. And that raises the biggest question of all – how can an organisation integrate the digital tools it really needs to drive meaningful, lasting business change?

TO WHAT EXTEND DO YOU AGREE/DISAGREE WITH THE FOLLOWING STATEMENTS ABOUT DECISION MAKING IN YOUR DEPARTMENT/TEAM/FUNCTION?						
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Customer-facing employees have seamless access to all the data they need to respond to customers	CFO	3%	20%	20%	52%	5%
	Non-CFO	5%	27%	24%	34%	10%
Customer-facing employees are empowered to make decisions themselves to improve the customer experience	CFO	5%	8%	20%	64%	3%
	Non-CFO	7%	18%	43%	28%	4%
Customer-facing employees have to seek managerial approval to make decisions	CFO	3%	23%	36%	36%	2%
	Non-CFO	2%	20%	28%	45%	5%

In control of decision making

One of the reasons for the disconnect between CFOs and other respondents, which our survey has highlighted, could be a lack of measurement and responsiveness.

To ensure that innovation enables the finance function helps deliver the business-wide performance required, organisations must unite agility and speed with the close monitoring and control of the performance of their digital initiatives.

For example, the challenge for the CFO is to be able to assess each individual digital innovations with metrics that are relevant to specific stages of development across each innovation project. The business must be able to understand how smaller investments contribute to overall performance.

In workday's global 2019 survey – Organizational Agility at Scale: The Key to Driving Digital Growth – it was found that 94% of leaders say they are able to shift course quickly away from unsuccessful projects. Virtually the same number say they have a culture in which learning from failure is encouraged.

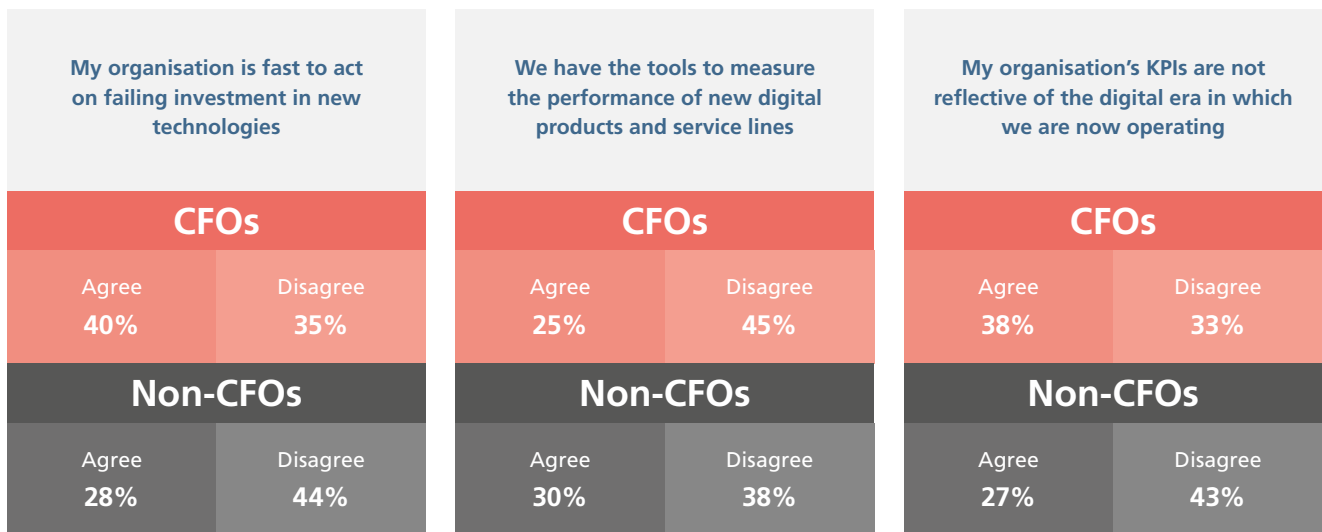
When you look at the results from our survey it suggests finance teams have a long way to go to achieve this status, and that could be down to a measurement and KPI gap.

Here we find another disconnect between CFOs and the rest of the finance function. More CFOs (40%) believe that their organisation is fast to act on failing investments than non-CFOs (28%). The non-CFO data suggests that their organisation is willing to persist with failing technologies, suggesting their perception of technologies, which they perhaps spend more time using than the CFOs, is different to their senior colleagues.

CFOs believe their organisation is faster to act with failing technologies, but this disconnect suggests their perception of what a failing technology is, is different to that of non-CFOs. A better understanding of the technologies their employees are using and require is needed.

It's also clear that too many organisations lack the tools needed to measure performance in the digital environment in which they need to be operating. More worryingly still, less than half of organisations have KPIs that are reflective of the digital era in which they now operate.

The fact that there were so many respondents saying they neither agree nor disagree with the statements speaks volumes too of how organisations are failing to implement and/or use systems that facilitate the modern digital workplace, and require more communication about what technology different finance departments.



*Neither agree nor disagree was the additional option not shown above

In conclusion

There's no getting away from the pressures organisations face to deliver on digital transformation in order to unlock organisational agility, maximise digital growth opportunities and keep pace with competition.

As this report shows, the potential of digital transformation is not lost on financial professionals. It's encouraging to see the high level of involvement in the execution of the digital transformation strategies amongst our respondents – and the impact these transformation champions are having on their organisations. It's also clear that those organisations ahead of the digital innovation charge are those who have successfully embraced some or most of the characteristics of organisational agility.

However, while the majority of finance leaders responding to our survey clearly identify the need for digital change, only a minority of organisations are making good progress. Businesses still have a long way to go before they truly realise the full benefits of being a digital-first, agile organisation.

This report highlights a number of roadblocks holding back digital transformation, which CFOs and finance teams play a central part in navigating their organisation around.

While the majority of finance leaders responding to our survey clearly identify the need for digital change, only a minority of organisations are making good progress. Businesses still have a long way to go.

Informed by these findings we have identified a number of mission critical steps to correct lags in organisations' development:

Firms must close a disconnect within the finance function, as well as among other members of the organisation in terms of their understanding of the digital capabilities and plans



Utilise the finance function's unique overview of the status of the organisation's digitisation plan to the benefit of the overall strategy



Communicate and collaborate from that unique overview, to drill down into the specifics of the organisation's plans to ensure the greatest agility



Measure everything



Embrace flexibility as it leads to agility



Upskill to succeed, recruiting the right people in the right places



Invest in the right digital tools for the digital world



Succeed – and fail – fast



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