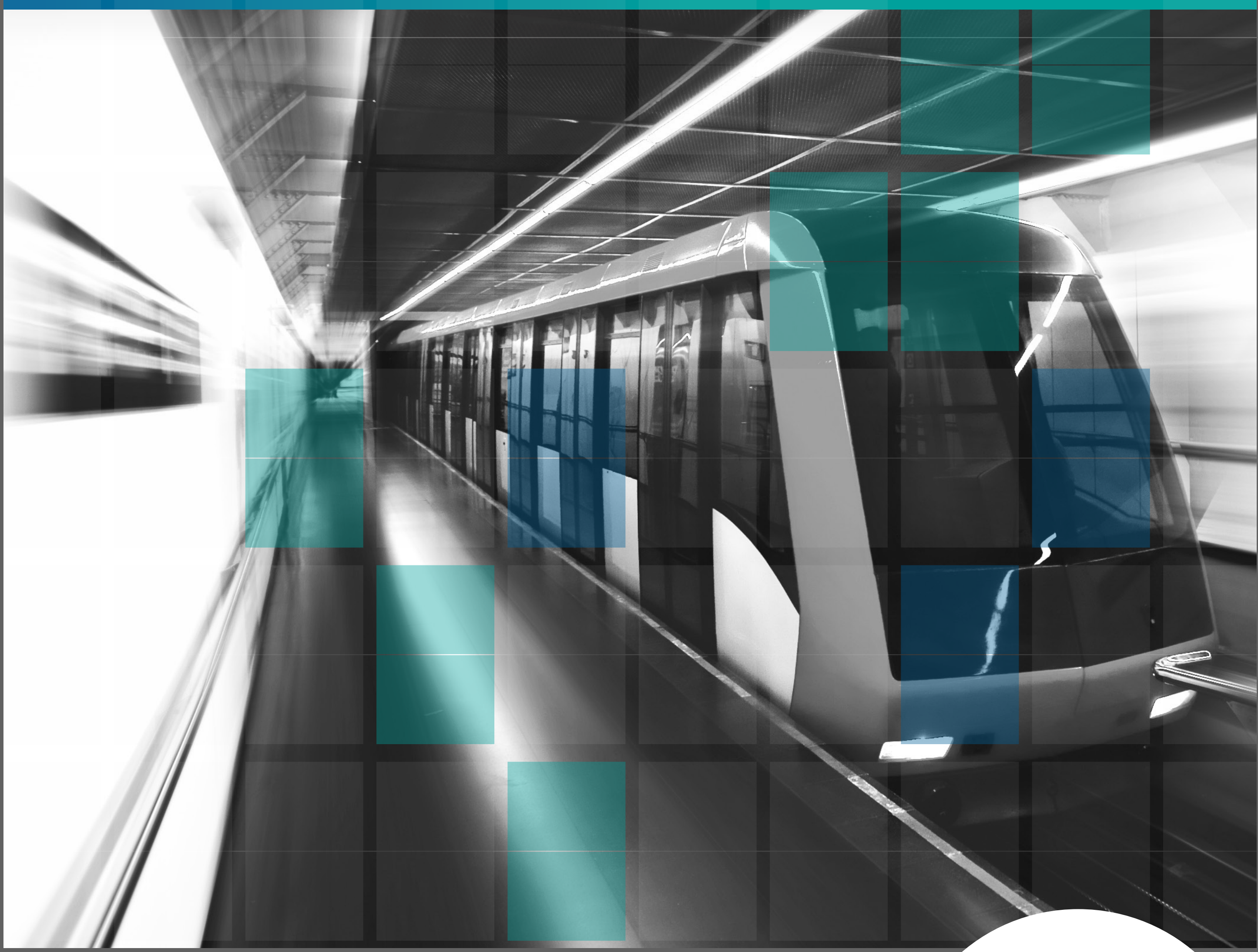
CFO Indicator
Q4 2017 Report

Full Steam Ahead:
Finance On Board With Automation



Workday Adaptive Planning

EXECUTIVE SUMMARY

Automation can either put CFOs on track for finance transformation or derail their efforts. Success will depend on automating the right things, while also infusing teams with the technology savvy and mindset needed to deliver true business agility. The first stop on that journey will be to automate repetitive and transactional tasks that today consume the majority of an FP&A team's time.

According to a 2014 research study by McKinsey Global Institute, as much as 34% of a financial manager's time could be automated by adapting current technologies[1] .

But automation can also feel threatening—making many jobs obsolete and altering workforce skillsets. In an industry that is historically resistant to change, do finance professionals see the threat or the potential of automation in their organizations?

This quarter's survey explores CFOs' perspectives on the role of automation with respect to processes, hiring practices, and team skillsets. The survey reveals that CFOs are not only moving full speed ahead with automation, but also see automation as critical to putting themselves and their teams on track to becoming more strategic and agile.

CFOs view automation as a requirement to address the rising volume and complexity of data, while delivering the insights and agility needed to seamlessly guide the business through an often-volatile economic climate. To that end, their top three initiatives for 2018 are to create and/or refine their visual analytics reporting, upgrade technology, and develop professional skills.

Top Three Initiatives for 2018

Create/ Refine Visual Analytics Reporting

Upgrade Technology

Develop Professional Skills

[1] *How AI and Automation Will Impact Finance in the Future* (Forbes: November 3, 2017)

Yet, if being more strategic and agile are the destination, our respondents don't see traditional finance solutions as the journey. Outdated, disparate systems have left their mark, and today's CFOs believe that leveraging new financial systems and software—combined with better collaboration across the business—will most impact their teams' effectiveness. Whereas just two years ago, 78% of CFOs saw Excel skills as the most important skill for their finance team,[2] today, only 5% see it as the single most important skill.

Without question, FP&A teams will need software solutions that provide a window into all aspects of the business and enable analysis of that data quickly. In fact, CFOs report they face rising demand for data and analysis from other parts of the business. Over 40% say that the biggest driver behind automation in their organizations is the demand for faster, higher quality insights from executives and operational stakeholders.

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Why? While the speed and timeliness of reporting has always been important, today's finance leaders are taking a much greater role in running the business. No longer simply meeting compliance and reporting deadlines, they are collaborating with functional leaders across the business to deliver long-range plans that in good times can help deliver greater profitability and growth, and in bad times, can reveal the light at the end of the tunnel.

As CFOs transform themselves into the most critical and strategic guides to their businesses, what will be the role of automation in their transformation? Read on to learn more about the growing impact of automation on finance today and down the line.

[2] Collaborative Finance: The Way Forward in Business Transformation, 2015 CFO Indicator Survey

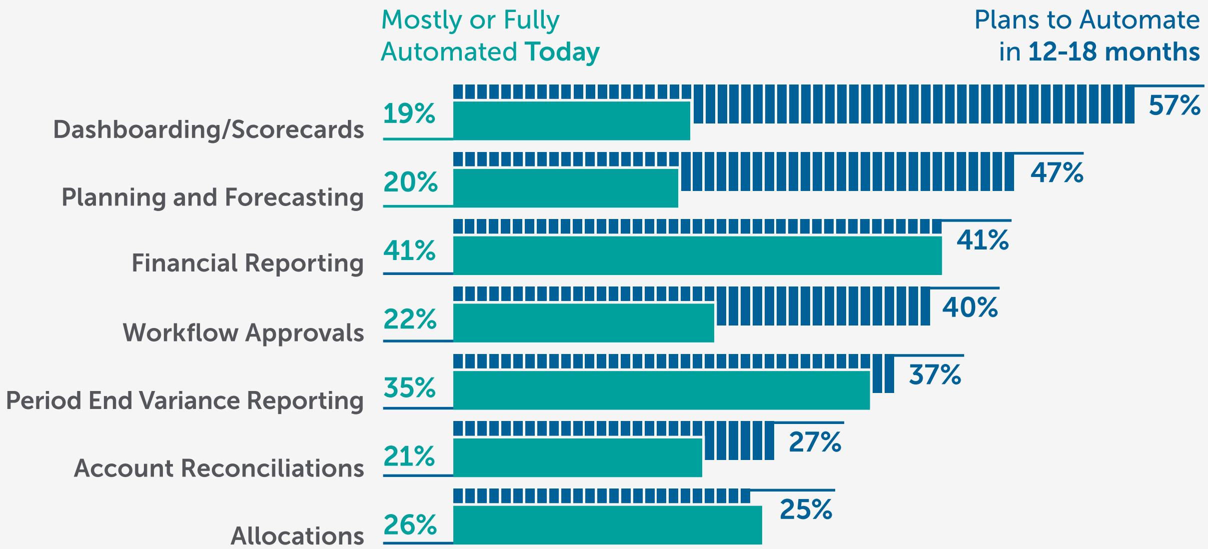
AUTOMATION LEAVES THE STATION

New systems and ways of doing things often require a change in mindset. And that change starts with accepting the current reality. How automated is finance today? Our survey confirms that finance organizations continue to spend most of their time on non-value-added tasks like data gathering and verification, but are working toward automating some key finance functions.

Specifically, 41% of CFOs say that their financial reporting process is either mostly or fully automated, followed by period-end variance reporting (budget vs. actual) (35%) allocations (26%), workflow (approvals, etc.) (22%), and account reconciliations (21%).

But KPI measurement (dashboarding/scoreboarding)—something that has been identified by 57% of CFOs as the top process they intend to automate over the next 18 months—is today one of the least automated processes. With nearly half of CFOs reporting that they use dashboarding tools, it could just be that their current solutions require too much manual manipulation—only one in five CFOs report this process has been mostly or fully automated. Planning and forecasting—second only to KPI measurement in terms of future automation—is currently the least automated process.

The ability to automate KPI measurement and planning—while providing visual and dynamic views of the data—can significantly ease the pressures FP&A teams face in ascending a growing mountain of data. New financial software platforms now provide the ability to dynamically interact with data, eliminating the endless creation of static pie charts and detailed spreadsheets—all in an effort to deliver what FP&A teams believe stakeholders want. Rather than having to anticipate and answer every question, finance and other stakeholders can leverage automation to make real-time, collaborative planning a reality.

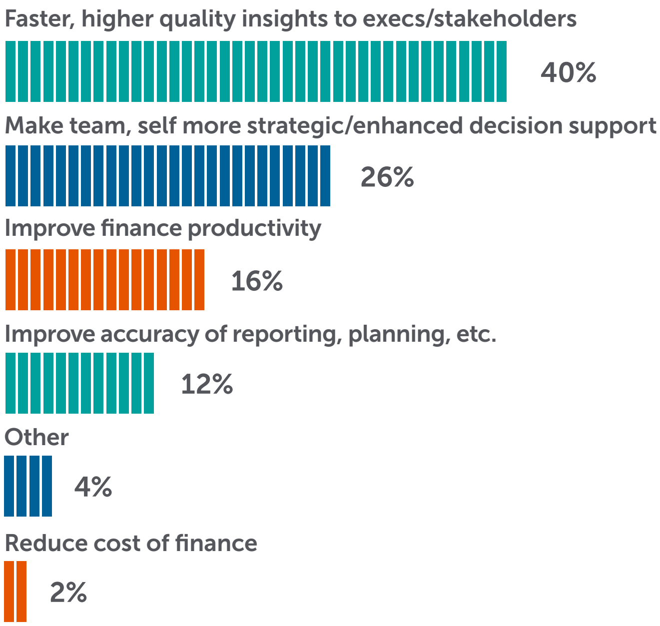


And while some FP&A organizations have been chugging along with their existing software platforms, CFOs say that leveraging new systems/software technologies would be the primary improvement for making their teams more effective. They report that increased demand for reporting and analysis, combined with the rising volume and complexity of data, is driving their organizations to automate, with key stakeholders pressuring CFOs to deliver high-quality insights faster and more frequently.

In fact, 40% of CFOs say that their primary reason for implementing automation into the finance organization is to deliver faster, higher quality insights to executives and operational stakeholders. Another 26% say it is to provide enhanced decision support that will make themselves and their teams more strategic.

Only 2% of CFOs cite cost reduction as a driver, which should help FP&A professionals rest assured that their jobs are unlikely to be replaced by automation.

Key Drivers for Automating FP&A



Though studies of the U.S. workforce have found that as many as 47% of U.S. jobs are at high risk due to potential automation, the same study determines that automation doesn't eliminate jobs as much as it changes the work. Vulnerability to automation is determined by the work's routine nature.[3]

For FP&A, this means that automation will likely spell the end for manual data gathering, consolidation, verification, and formatting. Our survey shows that today these non-value-added tasks consume almost 80% of the FP&A team's time, leaving just 20% for analysis.

And, as manual, routine processes become more automated, FP&A teams can expect to have more time for strategic activities like scenario planning, risk assessments, and performance and predictive modeling—the next set of tasks that will be greatly enhanced by artificial intelligence (AI) software.

The vast majority of CFOs (89%) believe that AI software will have an impact on the finance function in the next five years—helping themselves and their teams more easily surface insights and suggest plans of attack—but again, not so much as a people replacement as a tool to help finance more strategically and accurately guide their businesses.

As one CFO puts it, "AI is [having] the ability to assist, not replace, humans. If we can automate collection, as well as some lower routine tasks, and then train machines to run our what-if's, we'll be most fresh, when we are usually fatiguing in the process."

And that fresh perspective will probably look different from industry to industry. How an automotive company implements machine learning will vary from that of a logistics company, but all will have better tools to manage growth, maximize profitability and gauge risk.

[3] *Automation and Anxiety: Will Smarter Machines Cause Mass Unemployment* (The Economist: June 25, 2016)

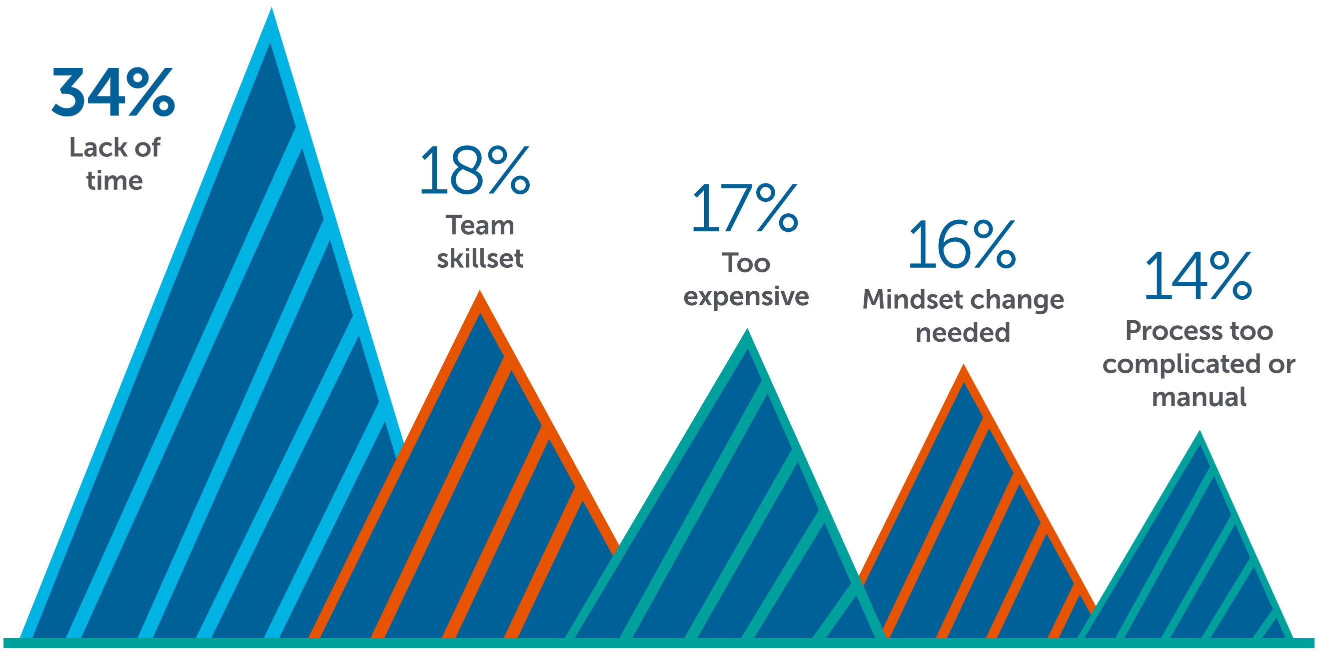
AUTOMATION EXPECTATIONS: ON TRACK OR OFF THE RAILS?

Is automation delivering on its promise? For the most part, yes. CFOs (65%) report that automation is meeting expectations—whether that be to deliver faster, more timely insights to stakeholders; make themselves or their teams more strategic; or help them become more productive.

Specifically, CFOs frequently remark that automation has resulted in significant time savings, and that it has freed their teams to spend more time on other value-added tasks like analysis—an obvious benefit—and yet, it is a *lack of time* that is cited as the biggest barrier to deploying technology by over one-third of respondents, with team skillsets and expense rounding out the top three.

But while CFOs continue to cite time savings as one of the biggest benefits to automation, they also repeatedly highlight improvements in data quality, accuracy and relevancy—all of which have far-reaching impacts on an organization's agility and revenue growth. Whether or not this benefit is realized, however, is directly related to the level of automation achieved within an organization.

Barriers to Automation



MORE AUTOMATION IS BETTER AUTOMATION

Although two thirds of CFOs say automation has delivered the expected benefit, there is still a fairly large percentage (35%) that believe it hasn't. Why? Automation itself is not the problem. Rather, too *little* automation is often cited as the issue. And that doesn't just mean technology—skillsets and mindsets also play a part. While teams need technology, they also need to be adept at using that technology and have a willingness to embrace it.

65% of CFOs say automation has delivered the desired benefit.

According to respondents, issues today arise when some processes are automated while others are not. Also of significance, a lack of integration prevents users from taking full advantage of systems that are in place.

As one respondent explained, "All financial information is captured by our accounting software, so financial reports are easily created. However, this information is exported to Excel to be further manipulated which adds to the time of creating financial reports. KPIs are captured in the EPM and can easily be viewed as reports. However, this information is entered into an Excel document to create a dashboard."

A recent study comparing companies that had automated at least 70% of their business processes to those that had automated less than 30% discovered that more automation translated into more revenue. In fact, the highly automated group was six times more likely to have revenue growth of 15% per year or more.[4]

With respect to the human factor, resistance to change and lack of technical savvy inhibit automation deployment. As one respondent observed, "Our organization's human skillset has not kept up with automation enhancements." And with professional skills top of mind for CFOs in 2018, there are some changes in skillset requirements around the bend for FP&A.

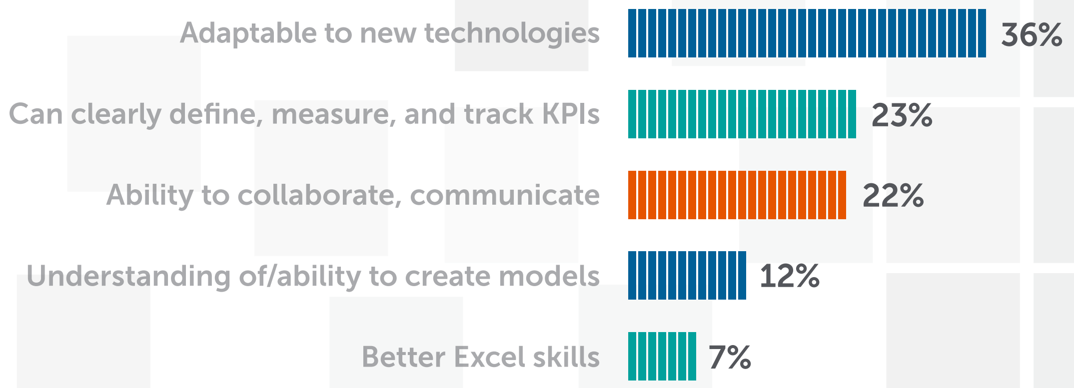
[4] Dave Wright, *Companies Using AI Will Add More Jobs Than They Cut* (Recode: May 10, 2017)

The drive toward automation promises to have far-reaching impacts on both technology deployment as well as CFOs' expectations of team skillsets today and in the future. As previously reported, Microsoft Excel is no longer regarded to be the "most important skill" either for the finance teams of today or for new hires in the future. Rather, CFOs want to hire well-rounded professionals who can adapt to new technologies; clearly define, analyze, and measure KPIs; and communicate and collaborate with stakeholders across the business.

With a winning combination of technical savvy and soft skills like analysis, communication and collaboration, FP&A professionals will be able to deliver on the key drivers toward automation—the need to manage an increasingly complex and growing volume of data, while delivering the strategic reporting and analysis that stakeholders demand.

And with professional development cited as one of the top initiatives for CFOs, it is likely they will continue to take an active role in bringing their teams up-to-speed on business-related issues—leaving the transactional tasks to new software platforms. According to a previous CFO survey, Measuring Up: The Weight of Non-Financial KPIs in Determining Performance, 56% of CFOs say their organizations are actively implementing programs to educate senior FP&A team members on all aspects of the business via collaboration and integration with other parts of the business (78%), webinars and courses (52%), and attendance at industry conferences (50%).

Skills Wanted for New Hires



CONCLUSION

The End of the Line

As CFOs streamline their processes through automation, they are confident they can deliver the strategic insights needed to address even the most complex business issues. Automation has the potential to reveal a path that would otherwise be buried by the day-to-day transactional nature of many finance processes. When combined with FP&A professionals who are technologically savvy, and adept at communication and collaboration, automation represents the express train to finance transformation—and ultimately—overall business agility.

About the Survey

The Adaptive Insights CFO Indicator report reveals what is top of mind for CFOs, as well as unveils key attributes that define the strategic CFO. An infographic is also available that highlights key findings and takeaways. This report surveyed 160 chief financial officers across the globe online over a period of 13 days ending January 10, 2018.

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