

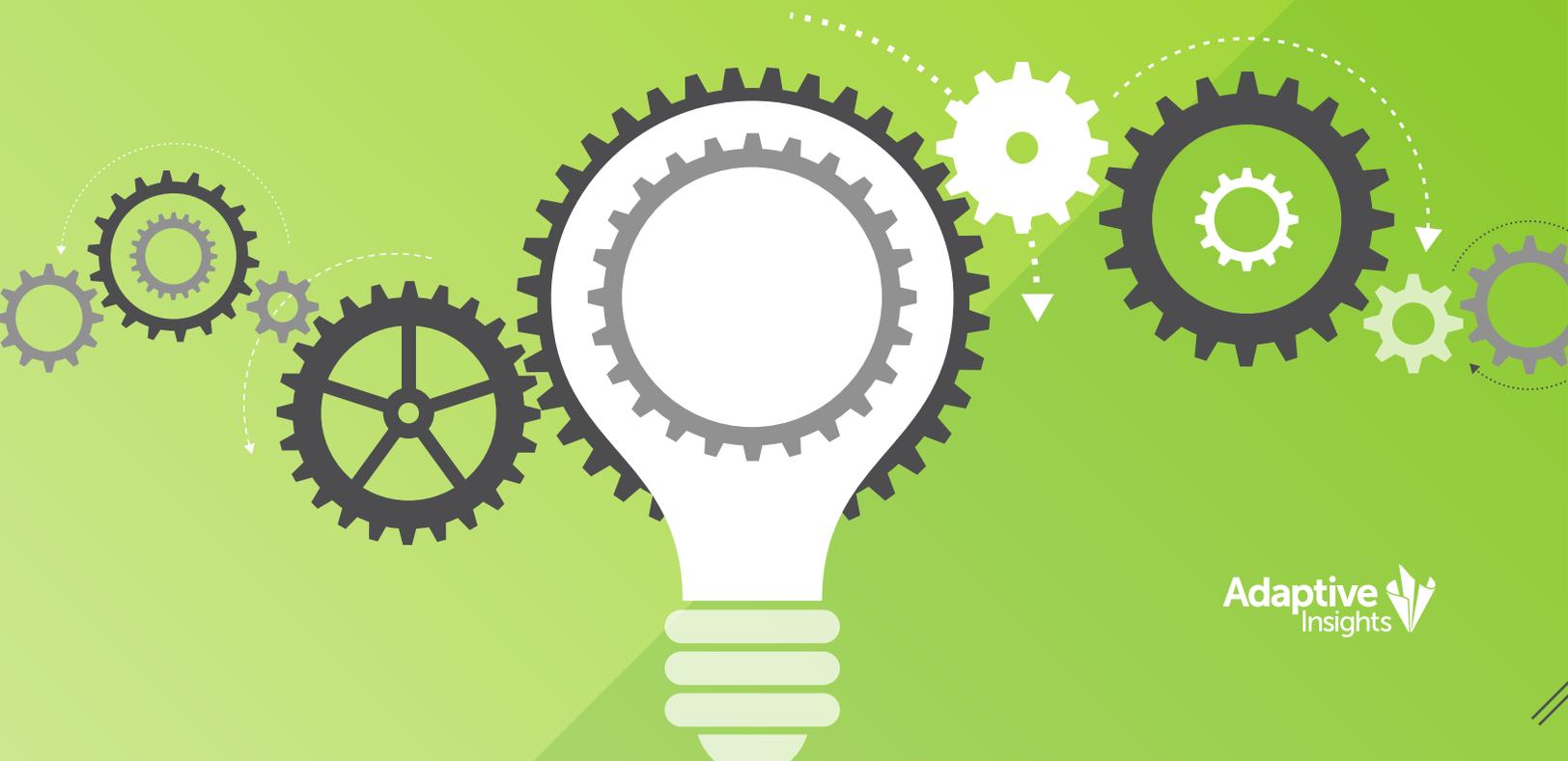
CFO
Indicator



Q4 2015
Report

Collaborative Finance Organizations

The Way Forward in Business Transformation



EXECUTIVE SUMMARY

The CFO role continues to transform. The availability of ever-increasing amounts of data and better analytics—along with new technologies that are managing and influencing corporate performance—has moved the CFO from finance gatekeeper to a champion of strategy and value creation.

As a result, finance is more integrated into the business than ever before, requiring a new level of collaboration and “soft skills” not traditionally associated with the finance function or CFO role. According to a global survey of 533 CFOs conducted by Adaptive Insights, 70% of CFOs rank collaboration with other parts of the business a top priority for 2016, as they seek to work cross-functionally across the organization.

Yet data silos still exist in most companies today, creating alignment and collaboration challenges. A key step to breaking down the silos is deeper—and bidirectional—communication and information sharing between finance and other teams. Three-quarters of CFOs rank interpersonal/communication skills as a key priority for their teams today, the second-highest answer listed behind Excel skills. Finance teams must also be able to reconcile functional goals with finance goals to effectively coordinate among functions, departments, and business units. This is easier said than done, as nearly 50% of CFOs cite the inability

to align with other departments on key metrics as a top collaboration issue today. And while finance teams are making inroads, with more than 50% spending nine-plus hours a week meeting with other departments to help resolve a problem, there is significant work to be done.

From collaboration strategies to changing team dynamics and varied finance and communications

skill sets, the finance function must evolve to successfully deliver the insights and value that businesses now expect. Finance must not only gather, consolidate, and make the data available, but finance must also present the resulting

analysis in a way that is easily understood by all audiences and stakeholders. The development and management of dashboards is emerging as an important skill for finance teams, with 44% of CFOs citing it as a top skill. Data visualization’s role across the finance function is also gaining traction, with 53% of CFOs reporting it as an initiative their team will undertake in 2016.

70% of CFOs rank collaboration with other parts of the business as a top priority for 2016



EXECUTIVE SUMMARY

These expanding roles—shifting from just data gathering to data analysis and sharing—are changing the skill sets required for finance professionals and exposing collaboration as an

integral part of today's finance initiatives. Our CFO Indicator Q4 2015 report examines these changes, as well as top-of-mind issues for global CFOs as they build their teams and careers.



53%

of CFOs report their team will undertake a data visualization initiative in 2016



NEW CHALLENGES

Broader Reach, Greater Collaboration Challenges

With an expanded view of the business, CFOs are requiring their teams to broaden their understanding of other functions and pushing them to communicate and collaborate more effectively, both internally and externally. How do CFOs grade their teams' ability to collaborate? In our survey, CFOs gave high marks to finance's collaboration with most functions.

It was no surprise that CFOs rated their team's ability to collaborate within their own finance function

the highest: 92% believe they are effective or very effective. As evidence of the close relationship that finance has established with operations in many organizations, 85% of CFOs rank their team's collaboration with operations as very effective or effective. And rounding out the top three, 78% of CFOs believe their team's collaboration with the C-suite is very effective or effective, a vote of confidence for teams as they engage with corporate leaders.

The most problematic/challenging collaboration issues for a finance team

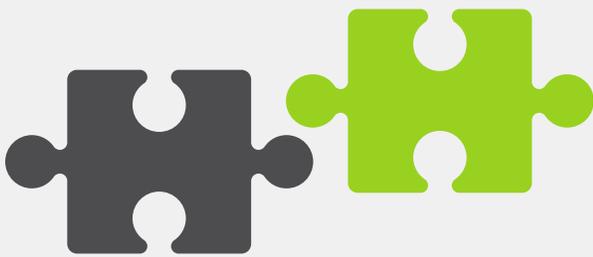


NEW CHALLENGES

In contrast, only 49% of CFOs rank collaboration with the marketing function as very effective (10%) or effective (39%), signaling challenges for some marketing teams that are not coordinating closely with their finance teams. According to EY, in today's digital economy, a strong finance-marketing relationship can spell the difference between high-growth organizations and those that stagnate or are left behind.¹ This alignment is good news for the 11% of CFOs who currently have the marketing function report directly to them.

and roles to be defined to develop an efficient process. Indeed, when asked about the most challenging collaboration issues for their finance teams, more than 50% cited lack of clarity about who has decision-making authority when collaborators disagree. It is unclear whether collaborators disagree about the data itself or how to respond to the data.

But before encountering a disagreement, are finance teams and their business partners



46% of respondents said finance and other departments are not aligned on key metrics

Despite varying levels of effectiveness, collaboration is happening. Across the business, collaborative work now consumes a significant portion of the finance team's week. More than 50% of CFOs said their teams spend five to 12 hours each week meeting with other departments to resolve problems, and 25% noted their teams spend 13 hours or more each week.

The survey also suggests that this cross-functional work requires relationships to be built

even on the same page or speaking the same language? Confusion about measurement is also problematic: 46% of respondents said finance and other departments are not aligned on key metrics. Whether finance or the function has the final word, there can only be one "truth" if companies are to leverage data to inform their business decisions—and effective communication and collaboration are paramount if the truth is to prevail.



TODAY'S FINANCE TEAM

Today's Finance Team: A Blend of Traditional and Modern Skill Sets

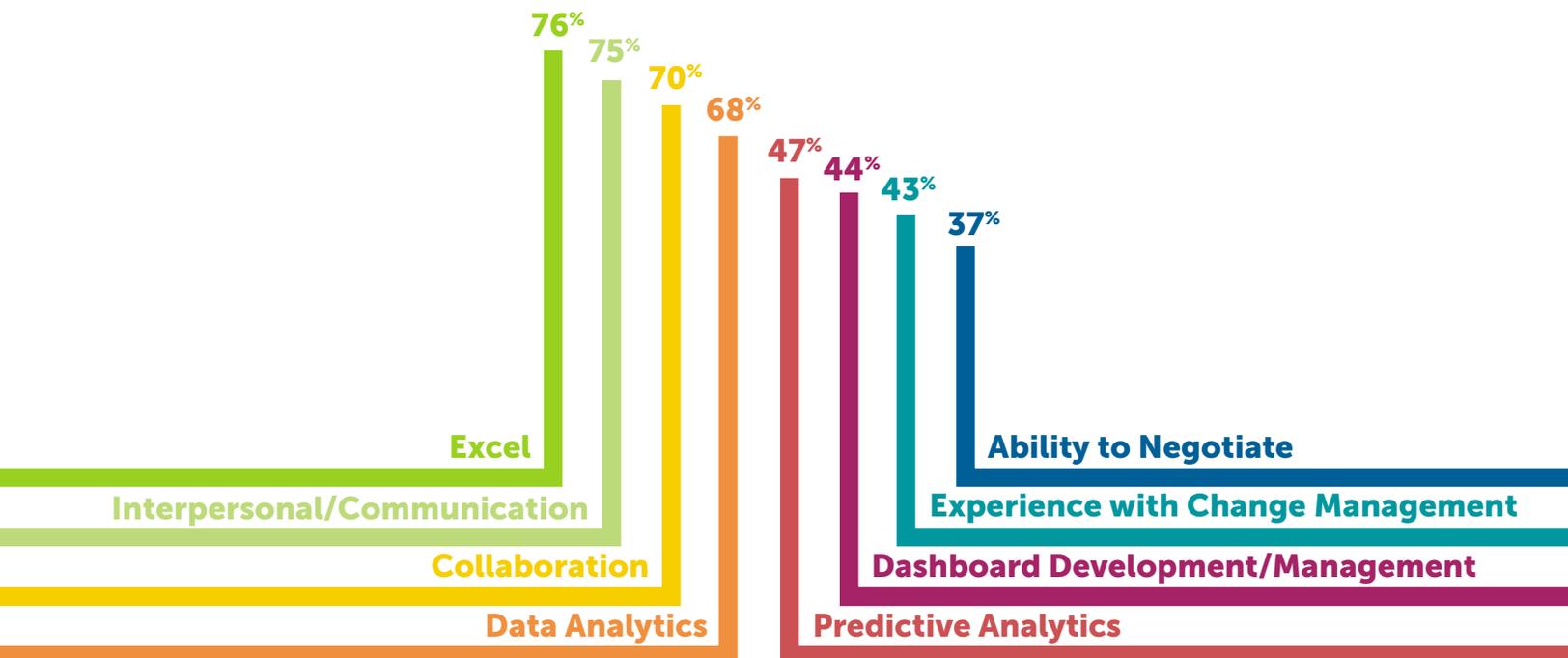
Finance teams today struggle to balance their transactional work—which, according to APQC research, takes nearly half of their time²—with the data analysis, insight, and sharing with which they are increasingly tasked. This was clearly reflected when CFOs were asked to select the most important skills for their finance teams today.

The top four skills—all within percentage points of each other—were a combination of traditional and modern finance skills. While finance has

traditionally been considered a left-brain or logical function, the results point to the increasing value in right-brain or creative thinking skills.

The lead skill was Excel (76%), an individual productivity tool that leverages the left-brain mathematical and logic functions. This was closely followed by interpersonal and communication (75%) skills, a right-brain language and interpretation skill.

The most important skills for finance teams



TODAY'S FINANCE TEAM

Collaboration (70%) and data analytics (68%) skills, right- and left-brained, respectively, rounded out the skills, underscoring the need for a balance of these technical and interpersonal skills for today's finance teams.

Taking a deeper look at collaboration, CFOs were asked about their most problematic or challenging collaboration issues. CFOs cited lack of time (79%) as the leading issue their teams face. Even with the significant time that teams spend collaborating, as noted above in meeting hours each week, it is still not enough.



CFOs think they should spend more time collaborating but feel constrained by other responsibilities.

As mentioned, the second-highest ranked collaboration challenge was lack of clarity about who has decision-making authority when there is disagreement (55%). As companies

continue to strive toward achieving a single source of truth—cited as a work in progress by 45% of respondents in the CFO Indicator Report Q3 2015—this collaboration issue will have a significant impact.³ Hand in hand with the decision-making authority issue is the other departments' inability to align on key metrics, cited by 46% of CFOs as a key challenge. Unlike lack of time—which can be addressed via automation, better software, outsourcing to shared services, etc.—both the lack of authority and KPI issues are organizational, requiring change management expertise.

CFOs cited lack of time (79%) as the leading issue their teams face

If leaders can't agree on key metrics, this could signal misalignment on strategic direction, which would certainly impact the resulting tactics and programs. Key metrics and KPIs are also necessary to achieve a single source of truth, underscoring the importance of resolving these collaboration issues.



Collaborating in the Year Ahead

Looking to their 2016 initiatives, CFOs cited collaboration with other parts of the business as their leading focus (70%), reinforcing the continued move to a holistic view of the business for finance. Other key initiatives are upgrading technology (58%) and developing professional skills (58%), which likely will go hand in hand as finance teams transition to cloud-based solutions that provide 24/7 access to data and reports.



70%

of CFOs stated that finance is a shared service organization in their company

When looking at the organizational structure of today's finance teams, there are many variations. However, 70% of CFOs stated that finance is a shared service organization in their company. It follows that 75% of CFOs reported that financial planning is a centrally developed process, again, underscoring the need for finance to better partner across the organization as it continues to act as a hub for the organization's data and planning.

But with all the changes that big data brings and its impact on the role of finance, CFOs do not anticipate changing the structure of their teams over the next five years. While 80% indicated they will not make a change, 13% stated they will move their finance team to a shared service model, continuing the trend for teams to move automated finance processes to a centralized function to save time and resources.



The CFO of the Future

Top-performing finance leaders today leverage information and technology in ways previously unimagined. They must be expert in connecting and analyzing growing streams of business data

CFOs own that data and now sit in a unique position to take on a greater role in driving and shaping critical business decisions. This is escalating their need to understand and drive strategy at the business level.



75% of CFOs rank business and finance strategy as a top skill for CFOs by 2020

and transforming that data into information that can be understood in the context of both current and future business performance. But how does this translate to critical skills for the CFO of the future?

When asked about the most important skills for CFOs over the next five years, 75% of CFOs in the survey cite understanding strategy at both a business and finance level as a top skill. While professional associations and the media alike have talked about the emergence of the “strategic CFO” for more than 30 years, technology developments over the past decade are enabling more visibility and insight into corporate performance than ever before.

In our survey, leadership and the ability to manage a diverse team (68%) and the ability to articulate/communicate the business to stakeholders (55%) followed business and finance strategy as key CFO skills. These also tie to the evolving role of the CFO, as finance executives are looking for leadership, communication skills, and the ability to deliver business-critical information in a way that is both easy to understand and actionable by their business stakeholders. Simply distributing spreadsheets and traditional financial statements are no longer considered sufficient ways to communicate performance, as finance teams and the CFO are now tasked with ensuring that broad, cross-functional teams understand how data-driven insights can shape their businesses.



The Future Finance Team

In a new world of data-driven decision-making, finance teams must evolve to keep pace with the ever-quickenning speed of business. Tasked with providing insight to the organization and collaborating across the company—as well as ensuring control, managing risks, and driving efficiencies—the finance team’s job has become more complex.

That’s why it is no surprise that as CFOs look to build and develop their teams for 2020, the greatest staffing challenge they face is lack of analytics expertise, according to 55% of CFOs. This is a clear reflection of the increasing role of data analytics in driving planning and forecasting. Teams are desperate for expertise to help distill the multiple data streams into meaningful insights that can guide the business.

The second-most critical challenge cited (by 53% of respondents) was not having enough time/resources for professional development. CFOs also cited technology as a concern, with 37% specifically reporting inadequate technology systems expertise as a staffing issue.

One-third of CFOs cited poor collaboration/interpersonal communications skills as a top staffing issue for their finance team of 2020.

Not typically viewed as traditional finance skills, these soft skills will be in demand as finance is expected to have to collaboratively integrate and bi-directionally communicate across the business.

Looking to the next generation of finance leaders, nearly 40% of CFOs don’t believe universities are offering the right educational programs to meet the finance management and leadership requirements for 2020. What’s missing? CFOs cited communications, management, and leadership as the key coursework they believe finance managers and leaders of the future need to be successful.

Interestingly, this mirrors many of the top skills CFOs cited for themselves.

CFOs were also asked about the role of data science for their teams. Today, only 14% of CFOs have data scientists on staff to sift through and interpret complex, unstructured data sets. By 2020, they expect that number to more than double to 35%, reflecting the increased importance of analytics to the finance function. And, as noted earlier, with 55% of CFOs citing a lack of analytics expertise as a key challenge in building their future teams, there are tremendous opportunities in finance for professionals with data science knowledge and expertise.

Key coursework missing in today’s finance curriculum



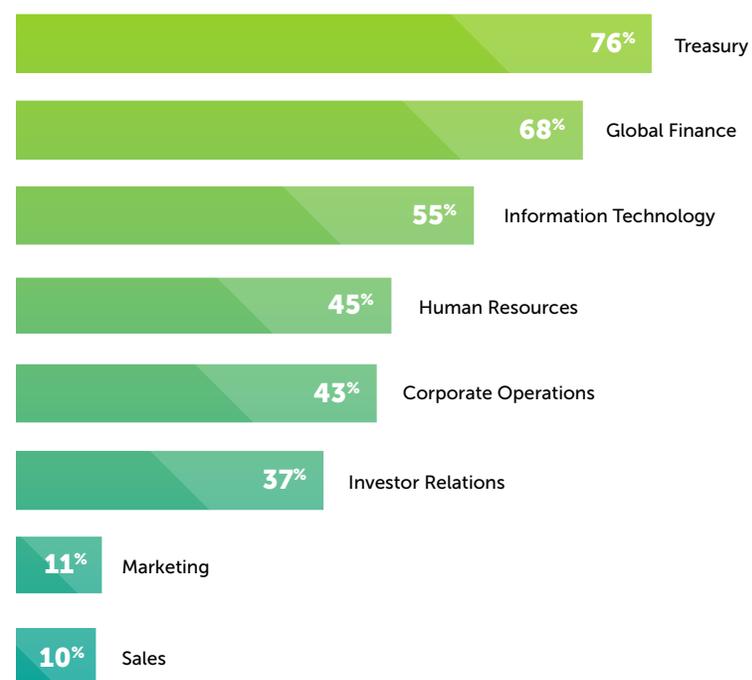
The Path From CFO to CEO

The office of the CFO has expanded over the past decade, and the responses by CFOs reflected that change. In addition to global finance functions, CFOs have information technology (IT) (55%), human resources (45%), and corporate operations (43%) report to them. And while CFOs have added to their growing list of responsibilities, it doesn't appear that many have come off the list. As a result, today's CFO not only has a view of the entire business, but often is also overseeing and running many critical functions.

This puts today's CFO in a prime position to ultimately move to the CEO role. Yet, according to a report by Korn Ferry⁴, only 13% of Forbes 2000 CFOs in 2015 moved into the CEO role from CFO. This dearth of finance executives moving into the CEO role is attributed to a lack of people and relationship-oriented skills.

Despite the currently low conversion rate to CEO, nearly half of the respondents in the survey stated they do have CEO ambitions. While most CEOs come from an operational role, such as COO, with today's CFO assuming more and more operational responsibility, CFOs are positioning themselves to take the top position in a near-term career move.

Which groups report to the CFO?



The View Ahead

With all the changes inside their organizations and in the roles they play, CFOs must also navigate the dynamics of volatile global markets and other external stressors that could impact their businesses. As 2015 closed, CFOs considered the top economic factors and market activity impacting their companies. Topping their list? Interest rate increases were cited as important or the most important to impact their business by 63% of CFOs. Signaling the end of near-zero borrowing costs, higher interest rates could have a dramatic impact on both operations and profits for companies. Unemployment (57%), which can affect state and local taxes for businesses, was also a key concern for CFOs, followed by expected merger and acquisition activity (41%). Funding activities related to pre-public companies, such as private/venture capital investment (31%) and initial public offerings (IPO) (11%), were considered less important—not surprising given the lackluster IPO market in 2015.

Because of their role in risk management, CFOs were asked about external forces posing the most financial risk. Overwhelmingly, CFOs cited strong concerns about economic uncertainty in their regions, with 80% of CFOs listing this as the top risk. In a climate where CFOs have to plan for more than one future, economic uncertainty becomes a challenging future to model. Aligned with the economic uncertainty, 61% of CFOs cited interest rates and inflation as a critical risk. For the first time in 2015, the outcome of national elections made the list, with 50% of CFOs concerned about the impact to their businesses. Heading into an election year for the U.S., concern over healthcare, taxes, regulatory changes, and access to capital are all issues that today's CFO must consider in his or her financial models.

Final Thoughts

As the role of CFO continues to become more strategic and collaborative, CFOs are expecting their teams to follow suit. The marriage of traditional accounting and analytic skills with interpersonal communication and collaboration skills reflects the changing face of today's finance team and leaders.

Data alone is not valuable to today's organizations. But the ability to aggregate, align, and interpret company-wide data that guides corporate performance continues to separate the traditional from the modern CFO.

ABOUT THE SURVEY

The Adaptive Insights CFO Indicator reveals what is top of mind for CFOs, as well as unveils key attributes that define the strategic CFO. Visit adaptiveinsights.com/newsroom, where an infographic is available, as well as blogs that highlight key findings and takeaways. This report surveyed 533 chief financial officers across the globe online over a period of 22 days ending January 7, 2016. The margin of error is +/- 4.19 percentage points.

For additional insights, read results from the previous CFO Indicator surveys:

[The Evolution of the CFO: Key Attributes of the Modern CFO \(Q1 2015\)](#)

[CFOs Bank on Technology to Achieve Business Success \(Q2 2015\)](#)

[Strategic CFOs Break Down Silos to Harness the Power of Data \(Q3 2015\)](#)

¹ EY, <http://www.ey.com/GL/en/Issues/Managing-finance/EY-CFO-program-partnering-for-performance-the-CFO-and-the-CMO>

² APQC Research, 2015, <http://ww2.cfo.com/budgeting/2015/12/metric-month-finance-people-spend-time/>

³ CFO Indicator Report Q3 2015, Adaptive Insights

⁴ Korn Ferry, 2015, <http://www.kornferry.com/institute/cfo-ceo-right-brain-leadership-gap>

