

How Finance Leadership Pays Off

Finance teams are working harder than ever before. CFOs today shape strategy across their organization, driving long-term growth and performance. But some do it better than others, and new research explains why.

Six Ways CFOs Stay Ahead of the Pack

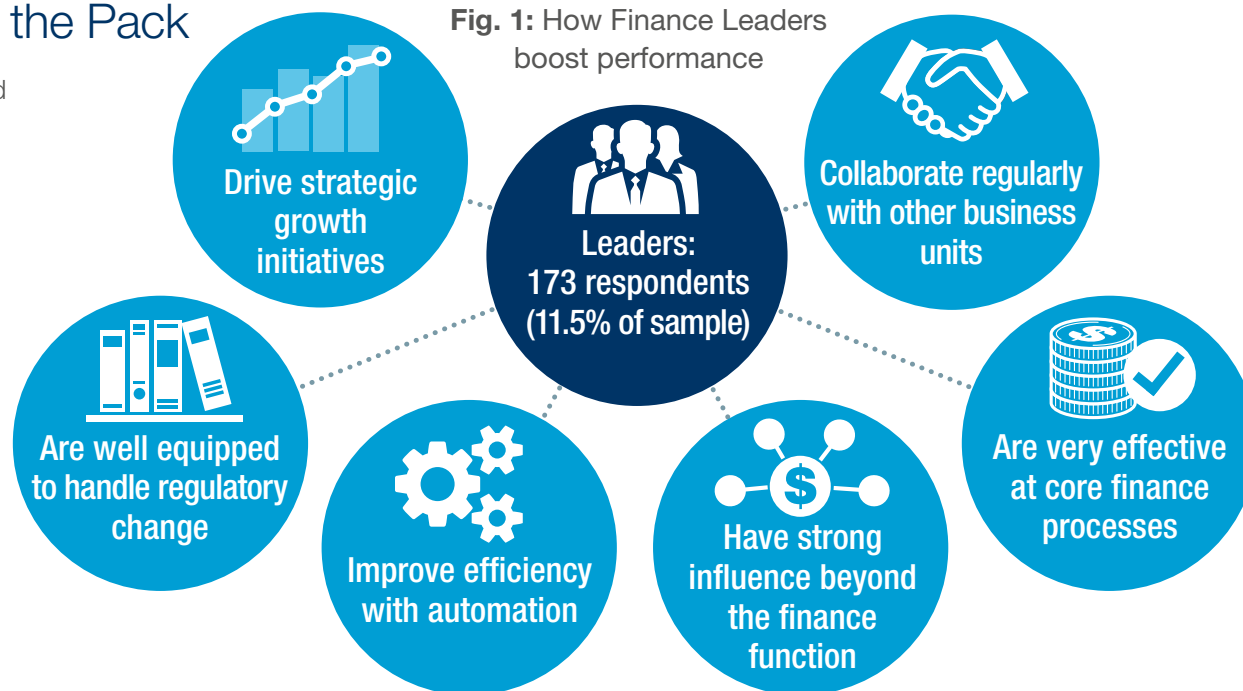
A global survey of 1,500 finance executives, conducted by Oxford Economics and SAP in early 2017, found that surprisingly few CFOs give themselves high marks for effectiveness. Most see room for improvement in financial planning and analysis, a critical process for driving growth, and even in risk and compliance. What do the high-performing minority—the Finance Leaders—do differently from the rest of the pack?

We identified six traits that make a Finance Leader, including excellence in core finance functions and strong influence over strategy (Fig. 1). Only 11.5% of survey respondents qualified as Leaders. Yet our results show these six practices boost business performance, efficiency, and risk and compliance (GRC) across the organization.

Finance Leaders:

1. Have strong influence beyond the finance function
2. Drive strategic growth initiatives
3. Improve efficiency with automation
4. Are very effective at core finance processes
5. Collaborate regularly with business units across the entire company
6. Are well equipped to handle regulatory change

Fig. 1: How Finance Leaders boost performance

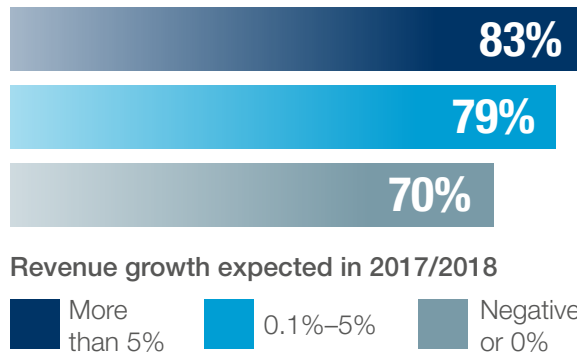


The Rewards of Leadership

When the finance function is proactive in these six areas, it pays off. Finance Leaders are almost twice as likely as non-leaders to report bigger market share over the past year. They have a significantly tighter grip on costs. And they make the most of technology innovations. According to our research, leaders are much less likely than non-leaders to say outdated systems keep them from achieving their business goals.

Fig. 2: Finance drives growth

“The finance function is increasingly visible and influential across my company”.



Finance Leaders make a visible impact on their organization’s overall performance. While most survey respondents say they are increasingly involved in strategic decision-making outside finance, our results show that’s truest at the fastest-growing companies (Fig. 2). In addition, companies that posted profit margin growth of 5% to 10% over the past year are far more likely than those with slower-growing margins to rate themselves very effective at core accounting and closing, working capital optimization, and T&E management.

Clearly, Finance Leaders boost their organization’s performance both through effective core finance activities and through close involvement with strategy. Julian Whitehead, CFO of Airbus Defence & Space, told us he thinks of himself as a businessman with a financial bent. “If you’re not on the business-winning side, if you don’t understand how you can drive more value out of your portfolio, then you’re not influencing the future, and you’re not influencing the share price,” he says.

Collaboration: The Magic Ingredient

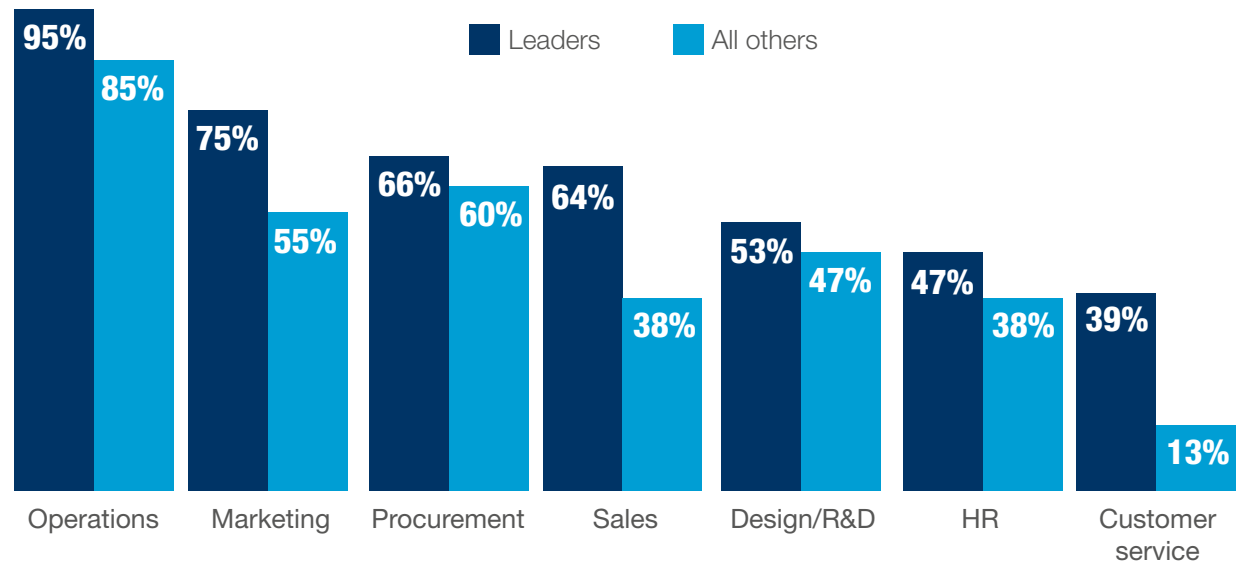
Nearly all CFOs say their finance function collaborates closely with GRC, internal audit, compliance, and operations. But many fail to collaborate in business areas where they could make a big difference. That’s a handicap in today’s competitive environment. In fact, nearly half of companies with zero or negative revenue and profit growth say finance function isolation keeps them from achieving their business goals. Our results show that corporate performance improves markedly when finance breaks out of its silo. Collaboration is the secret sauce that transforms the finance function from keeper of the books to effective strategic partner.

Finance Leaders understand collaboration. They work closely with business areas where finance may not traditionally have been highly visible, including marketing, sales, R&D, and customer service (Fig. 3). Their involvement could explain why their companies are more likely to enjoy market share growth.

In fact, business performance appears to benefit when the finance team exerts leadership in a wide range of areas. At the fastest-growing companies, finance has a strong influence over supply chain and procurement, and innovation.

Fig. 3: Where Leaders break the mold

Please indicate the level of collaboration, if any, your finance function has with the following business functions. “Collaborate regularly” and “Working with finance is a vital part of this function” responses



The Right Tools for the Job

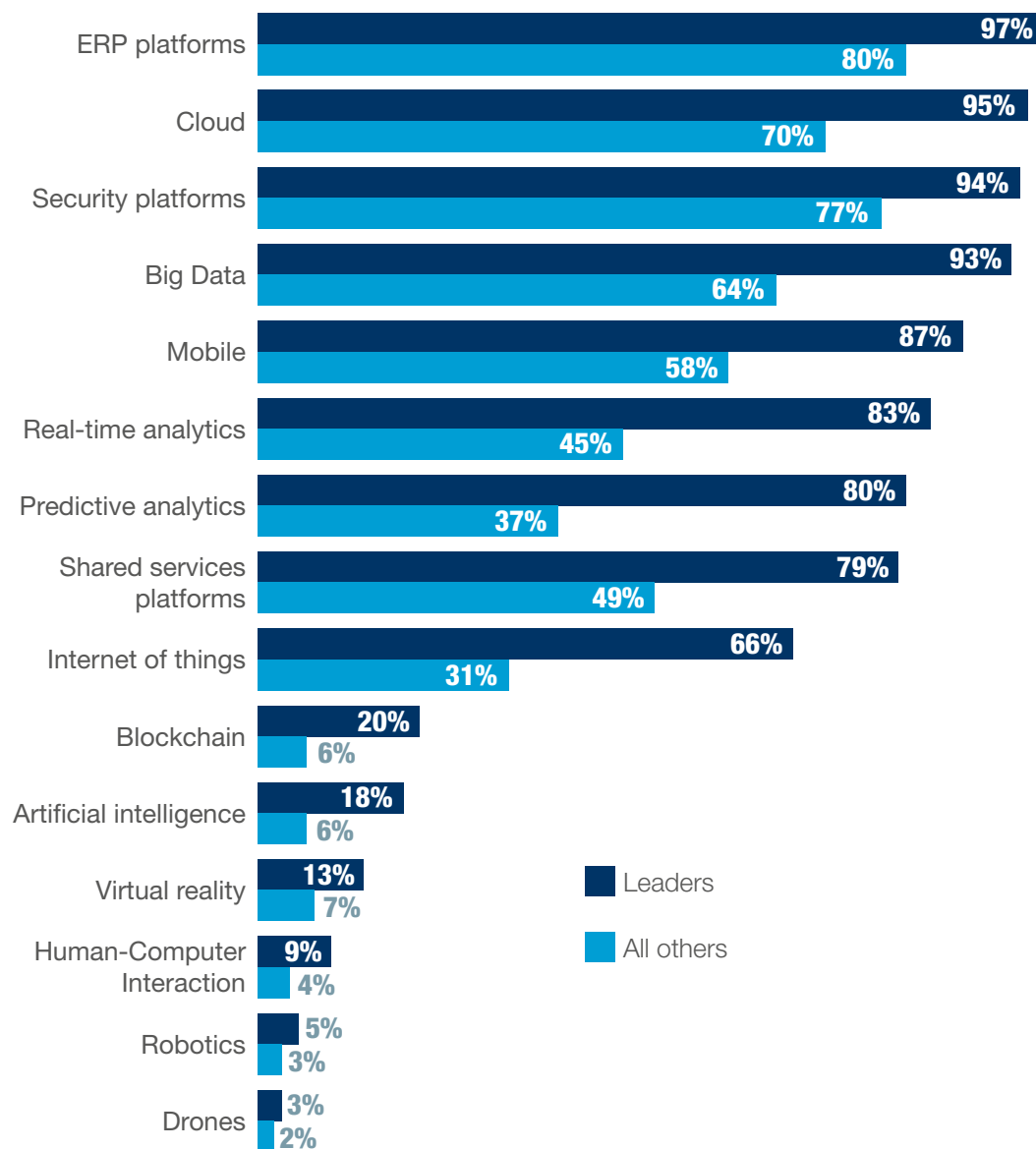
Finance Leaders acknowledge—more readily than non-leaders—that the heavier demands on the CFO have added complexity to the job. They also realize that executives can't create finance collaboration by snapping their fingers, and that embedding finance into an organization's disparate parts requires digital tools. Finance Leaders are significantly more likely than non-leaders to say technologies like cloud-based applications, Big Data, and real-time analytics are critically important to the finance function's successful performance today, and to predict they will remain critically important in the future (Fig. 4). For example, a large majority say cloud-based apps are critical to optimizing working capital and evaluating the financial viability of strategic growth initiatives.

But Finance Leaders don't just rely on the most commonly used digital helpers. They are tech pioneers, recognizing that today's emerging technologies are tomorrow's core tools. Leaders are significantly more likely than non-leaders to say the Internet of Things, blockchain, artificial intelligence and machine learning are important to the finance function's successful performance. In fact, our research shows that the further out one goes the technology innovation curve, the wider the gap between Finance Leaders and other respondents. For leaders, mature technologies like ERP platforms and the cloud have been must-haves for some time, and they are exploring what the next wave of technology can do for their business.

Indeed, fast-growing companies credit at least some of their success to automation. Nearly a third of respondents whose revenues grew by 5.1% to 10% over the past year say automation improves the finance function's efficiency—twice as many as respondents with slower revenue growth. Especially in areas like GRC, where technology can streamline repetitive tasks, automation frees CFOs and their colleagues to focus on strategy.

Fig. 4: Finance Leaders leverage emerging technologies

Please rate the importance of the following technologies to your finance function's successful performance. *"Critically important" and "Very important" responses*



Technology, of course, isn't the only way to promote collaboration. More Finance Leaders than non-leaders say their organization provides business analytics and training programs to encourage different units to work together productively. And at the fastest-growing companies—those seeing revenues increase by 5% to 10% a year—senior leadership is much more likely to mandate collaboration between finance and other business units. These executives see the connection between a collaborative finance function and business success, and they do all they can to inspire it.

Action points for a high-performing finance function:

- Encourage collaboration between finance and *all* business units, not just its traditional partners in GRC and audit. Consider where more input from finance might boost performance.
- Improve financial planning and analysis to support business performance by hiring and training for the right skills. Today, these include exceptional communication and even diplomatic skills, in addition to technical financial and forecasting expertise.
- Leverage Big Data, shared platforms, and cloud-based applications that foster collaboration and decrease complexity.
- Use analytics to enhance agility, drive strategic growth initiatives, and provide the market with reliable, accurate forecasting.
- Ensure that GRC is automating the most routine and repetitive compliance tasks, and consider next-generation technology (such as the Internet of Things) to improve risk management.
- Empower the finance function as an organization-wide service whose expertise supports all other functions.

A full report on the survey results, including regional and industry insights, will be published in late May. Click [here](#) to request the study.



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