

CIO INDICATOR STUDY

The CIO-CFO Partnership

The Path to ERP-Enabled Finance Transformation



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The CIO-CFO Partnership: the Path to ERP-Enabled Finance Transformation

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A new era.

Today's CIOs face a very different outlook than the one they faced a few years ago. Today's market dynamics require them to equip their organization with the technology foundation, tools, and skills to act quickly and to use data to create new intangible and tangible value.

Forward-thinking CIOs are using this opportunity to rethink their traditional ERP systems. To ready themselves for a new era of fast changes in finance, CIOs need to be both innovation partners and technology leaders while joining forces with their CFOs. Together, they must balance IT's aims of simplicity and agility with finance's expanding scope and complexity.

Our new global survey of 1,060 senior finance and IT leaders tracks the state of digital finance transformation in today's organizations. The research examines how that transformation is affecting the finance and IT functions and why CIO-CFO alignment is central to success.

CIOs need to understand:

- The evolving needs of finance
- The challenges of data security and usability
- The pace and scale needed to overcome legacy technology debt



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The last few years have changed the way we're thinking—about customers, about partners, about employees. One of our priorities is to continue delivering technology that enhances productivity, creates a better way to collaborate, and enables more self-service. We want to empower users, and partner strategically with each business organization.”

Ernesto Boada
Interim CIO,
Workday



Research highlights.

The CIO-CFO partnership is the key that unlocks digital finance.

There is a positive correlation between the level of alignment of a company's finance and IT teams and the progress of its digital finance transformation. In organizations where the teams are aligned, IT regularly advises on emerging finance technology, and finance always helps IT understand the metrics by which its success is measured.

Legacy ERPs hold organizations back.

CFOs and CIOs are struggling to reconcile their legacy ERP systems and the needs of transformation: 65% of CIOs believe their legacy ERP systems are not flexible enough for today's business requirements. More than half of CFOs feel the same.

Alignment gaps between finance and IT threaten to undermine the digital finance opportunity.

One problem is that these two groups might have common goals and objectives, but they speak a different language. Asked about the top barriers to digital finance transformation, CFOs cite a lack of financial literacy skills within IT. Ask the CIOs, and they say a lack of technology and data skills within finance.

The approaches taken by IT and finance toward digital transformation are at odds—but they must align on insights, agility, and talent to work together.

More than half of CIOs say their aim to eliminate IT complexity is directly at odds with the expanding scope of the finance function, as IT looks to simplify systems and manage costs while finance expands to meet business needs. And 41% say they are not included in critical finance meetings—even when technology is essential to solving a challenge.

In this report, we will discuss these findings in detail.



A new CIO-CFO partnership for a new era.

Digital finance transformation gives today's CIOs a valuable opportunity to move IT from cost center to value creator. By streamlining time to close, addressing key procurement challenges, and helping finance be more efficient through automation, the CIO is creating tremendous value and accelerating digital change.

According to CIOs, the top benefits of digital finance transformation are: technology to improve procurement (43%); tools to streamline close, consolidation, and reporting (26%); and automating low-value tasks to free up finance employees' time (24%).



Figure 1: CIOs say procurement technology, tools to streamline period close, and automation are the most beneficial components of digital finance transformation.

Technology to improve procurement/sourcing

43%

Tools to streamline financial close, consolidation, and statutory reporting

26%

Automation of low value-added tasks to free up time for finance employees

24%

Tools for developing and upskilling finance employees

19%

Technology to manage performance of finance employees

19%

Survey question: Which of the following have been the most beneficial components of your organization's digital finance transformation?
(C-suite IT respondents only; n=54.) Respondents stack ranked their top three choices.

IT partners with finance to deliver productive digital finance transformation.

One important way organizations can seize this valuable opportunity is to simply bring finance and IT together. Better yet, encourage them to co-create a playbook for digital transformation and explore different models of collaboration.

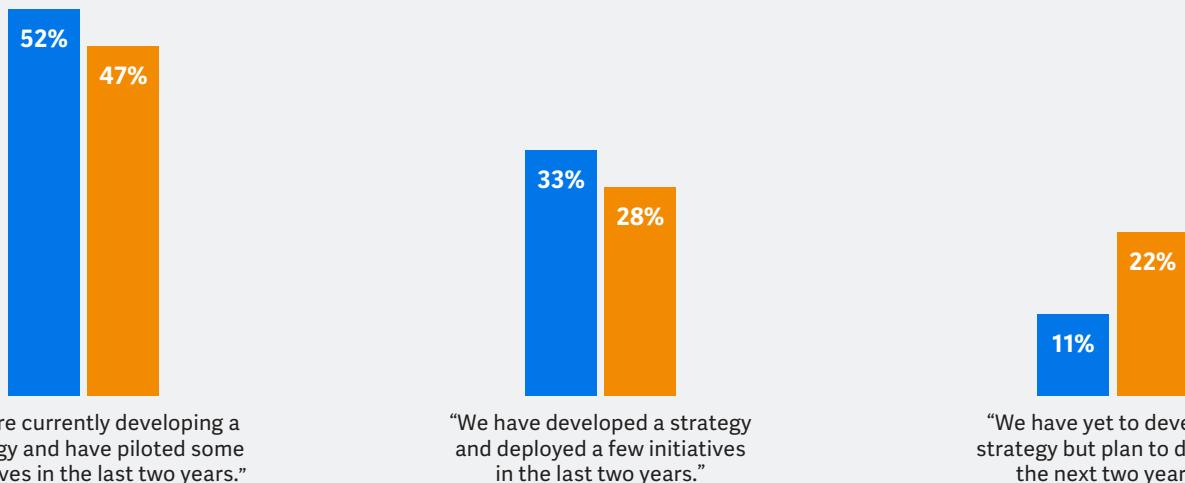
Our research finds that there is a positive correlation between the level of finance-IT alignment and the maturity of an organization's digital finance transformation: 22% of organizations where finance and IT are rarely or never aligned say they have not yet developed a digital finance transformation strategy, compared with just 11% of those with good finance-IT alignment.

Ryan Schlimpert, CIO at Drury Hotels, says that structuring the team to align direct reports with given business units has helped improve finance-IT alignment. "The subtle difference there is that instead of them being an order-taker for ad hoc business requests, direct reports are now responsible for the overall satisfaction of each business unit. This drives them to want to better understand the business needs and opportunities overall and how we can best utilize technology to address them," Schlimpert says.



Figure 2: Organizations with low finance-IT alignment are behind on digital finance transformation.

■ High Finance-IT Alignment
■ Low Finance-IT Alignment



"We are currently developing a strategy and have piloted some initiatives in the last two years."

"We have developed a strategy and deployed a few initiatives in the last two years."

"We have yet to develop a strategy but plan to do so in the next two years."

Survey question: Which of the following best describes the current state of your organization's digital finance transformation strategy? (All respondents; n=1,060.)

Decision-ready data creates forward-looking finance.

Insights and data will make finance responsive and forward-looking, and CIOs are currently more confident than CFOs in exploiting this potential.

Of CIOs, 57% are confident about the integrity and usability of their organization's data (compared with only 42% of CFOs), and 52% are confident about the security and governance of that data (compared with 46% of CFOs).

More than half of CIOs say that technology enables their team to provide finance with forward-looking data insights (57%), and that their organization has a single unified view of all financial, operational, and people data (52%). This allows finance leaders and their teams to exploit the insights available from across the business and beyond.

“

It boils down to better decision-making—to having access to the right data presented in a way to enable effective and timely decision-making.”

Rida Villanueva

Director—Cybersecurity,
Grant Thornton

There is a confidence gap between CIOs and CFOs when it comes to decision-ready data.



57%

of CIOs say that technology
enables their team to deliver
forward-looking data insights
for finance



42%

of CFOs are confident about the
integrity and usability of their
organization's data

Finance technology moves beyond ERP to increase agility.

The transition from traditional ERP systems to modern cloud technologies that provide more usable insights and free up finance time is a valuable opportunity for CIOs. And when CIOs demonstrate return on technology investment, more investment is likely to follow.

This is another area where our research reveals how finance-IT alignment enables transformation. In 58% of organizations with a high level of alignment, finance and IT jointly select the analytics, reporting, and visualization tools needed to make critical financial decisions.

Finance-IT partnership is reshaping the way finance teams approach technology transformation. “What has changed is the finance team’s awareness of technology needs and the role they play,” explains Dave Harris, CIO at Shake Shack. “If we wind the clock back 10 years, it was IT that ran the ERP system. There’s a lot more transparency now, and the finance team has become much more tech savvy.”

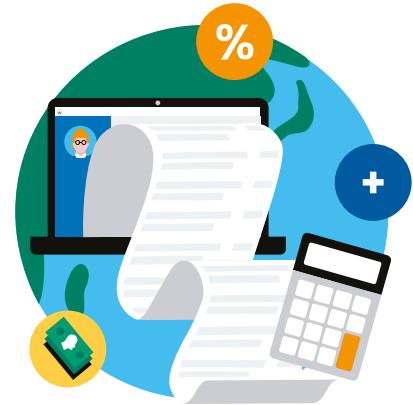


Figure 3: At organizations where finance and IT are aligned, the two functions work together in three important areas.

■ High Finance-IT Alignment
■ Low Finance-IT Alignment

Finance and IT jointly select the analytics, reporting, and visualization tools needed to make critical financial decisions



IT regularly advises on emerging technology and leading platforms for finance



Finance always helps IT understand the business strategy and metrics upon which finance is measured



Survey question: To what extent do you agree with the following statements about the relationship between finance and IT in your organization?
(All respondents; n=1,060.) Respondents answered one option per statement.

Tech talent must augment their IT expertise with financial literacy.

As CIOs become value drivers, they have an opportunity to help CFOs and their teams become more IT-savvy, and to empower their own teams to become more familiar with the needs of finance. In fact, 52% of CIOs say that future IT talent must have the financial literacy skills to be able to deliver on digital finance transformation goals.

According to CIOs, the three most valuable skills to support digital finance transformation within the next three years will be:

- 1 Data and analytics**
- 2 Financial literacy**
- 3 Regulation and compliance**

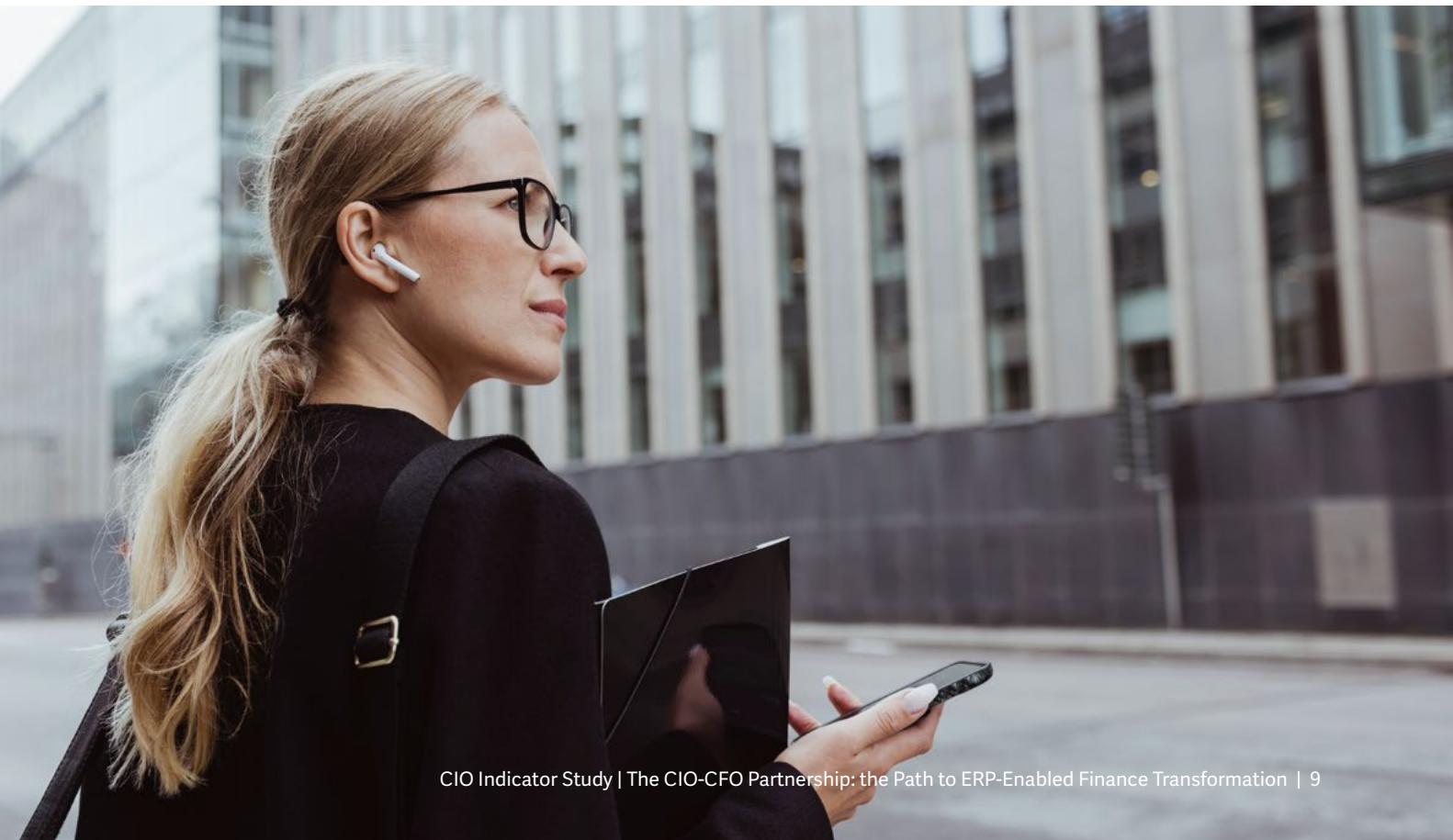
Our research also stresses the importance of a common language. “It really does have to be a partnership,” explains Harris. “I have a senior leader on my team whose job is to speak the language of finance—to align on roadmaps and help prioritize investments, and also make sure the technology strategy we’re pursuing supports those finance goals. Similarly, there’s someone on the finance side who focuses more on finance automation and articulating technology needs.”

“

I have a senior leader on my team whose job is to speak the language of finance.”

Dave Harris

CIO,
Shake Shack



CIO-CFO partnership gaps threaten transformation.

Digital finance transformation presents CIOs with opportunities, but it also has its challenges.

For technology leaders, misalignment is a central barrier to finance transformation: 57% of CIOs say that their aim to eliminate IT complexity is directly at odds with the expanding scope of the finance function. Where CIOs are focused on consolidating systems for simplicity and cost management, CFOs are concerned about increasing the availability of data and insights to make informed business decisions.



57% of CIOs say that their aim to eliminate IT complexity is directly at odds with the expanding scope of the finance function

“

We've been working hard to get data analytics capabilities, eliminate a lot of legacy applications that were holding us back, implement communication and collaboration tools, and put in place automation tools. That's where my CFO has been a great partner, and understands the opportunity.”

Ryan Schlimpert

CIO,
Drury Hotels

Figure 4: CIOs' top barriers to digital finance transformation are security concerns and lack of alignment with finance.

Cybersecurity challenges

26%

Lack of alignment between finance and IT teams

20%

Lack of technology/data literacy skills within finance team

20%

Legacy systems/technical debt

20%

Regulatory, risk, and/or compliance concerns

17%

Cost/budget

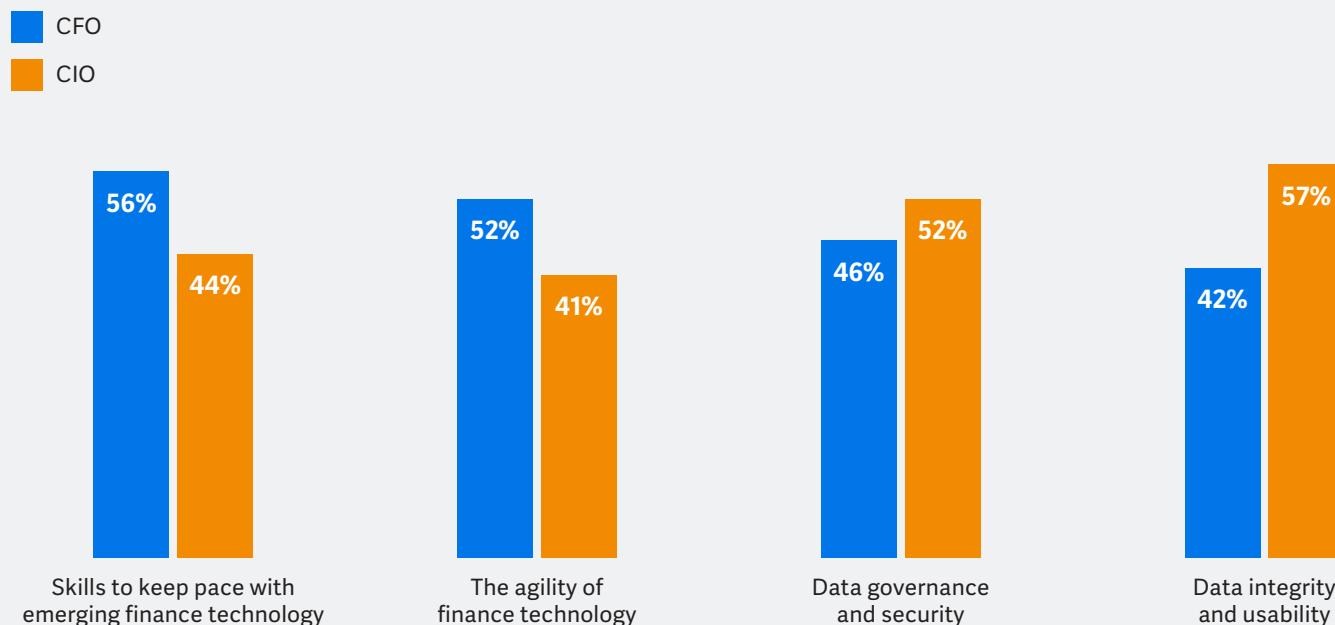
17%

Survey question: Which of the following present the biggest barrier(s) to your organization's digital finance transformation? (C-suite IT respondents only; n=54.) Respondents selected each relevant answer.



CIOs need solutions that fill the gaps between the promise and the reality of digital finance transformation. Our research shows that bridging these gaps can be difficult when CFOs and CIOs fail to agree in three critical areas: data and insights, tools and technologies, and skills and capabilities.

Figure 5: CFOs' and CIOs' confidence levels are misaligned in three core areas of digital finance transformation: data, technology, and skills.



Survey question: Thinking about your organization's use of data and technology in finance, how confident are you in the following? (All respondents; n=1,060.)
Respondents answered one option per statement.

Gap 1: The data divide.

CIOs are generally confident about the usability of their organization's data, but our research shows that CFOs are not (see Figure 5).

Half of CFOs (50%) say they continue to make financial decisions based on gut instinct despite having the data they need because it is siloed, not in the right format, or not readily available to them. And 53% say that limited or outdated information hampers their team's ability to make accurate forecasts.



50%

of CFOs say they are forced to make financial decisions based on gut instinct despite having the data they need because it is siloed, not in the right format, or not readily available to them

It is also clear that a focus on closing technology and skills gaps will benefit data usability for both technology and finance leaders. Among CIOs, the top barriers to generating accurate, usable insights for finance are:

- Existing infrastructure that is unable to handle increased data volumes (30%)
- Shortage of skills to work with emerging technologies (30%)
- Lack of easy-to-use tools to gather insights quickly (26%)
- Lack of tools to automate management and reconciliation (26%)



Gap 2: Legacy ERP systems.

Legacy systems are a challenge for all business functions, but it is particularly difficult for IT to reconcile existing ERP systems with the need to implement more flexible technology solutions.

Out of the CIOs we surveyed, 65% say their legacy ERP systems are not flexible enough to meet the needs of today's business environment, and over half of CFOs (54%) feel the same.

CIOs want to deliver transformative change, but they are constrained by complexity:

- 54% of CIOs say that ERP modernization is critical but they do not have time to undergo such a sizable transformation
- 41% agree that limited time, budget, and/or resources hampers their team's ability to simplify legacy finance systems and eradicate technical debt



65%

of CIOs say their legacy ERP systems are not flexible enough to meet the needs of today's business environment

“

I know the struggles I used to have with IT. Wanting to get certain reports or get certain things updated—and on time—was a constant struggle. Now, with Workday, it's shifted a lot of that ownership into the oversight of finance, which means we can accomplish tasks much quicker.”

Anthony Colletta

CFO,

Westmed Medical Group



Gap 3: The skills chasm.

The final barrier to digital finance transformation is skills—particularly where finance and IT meet.

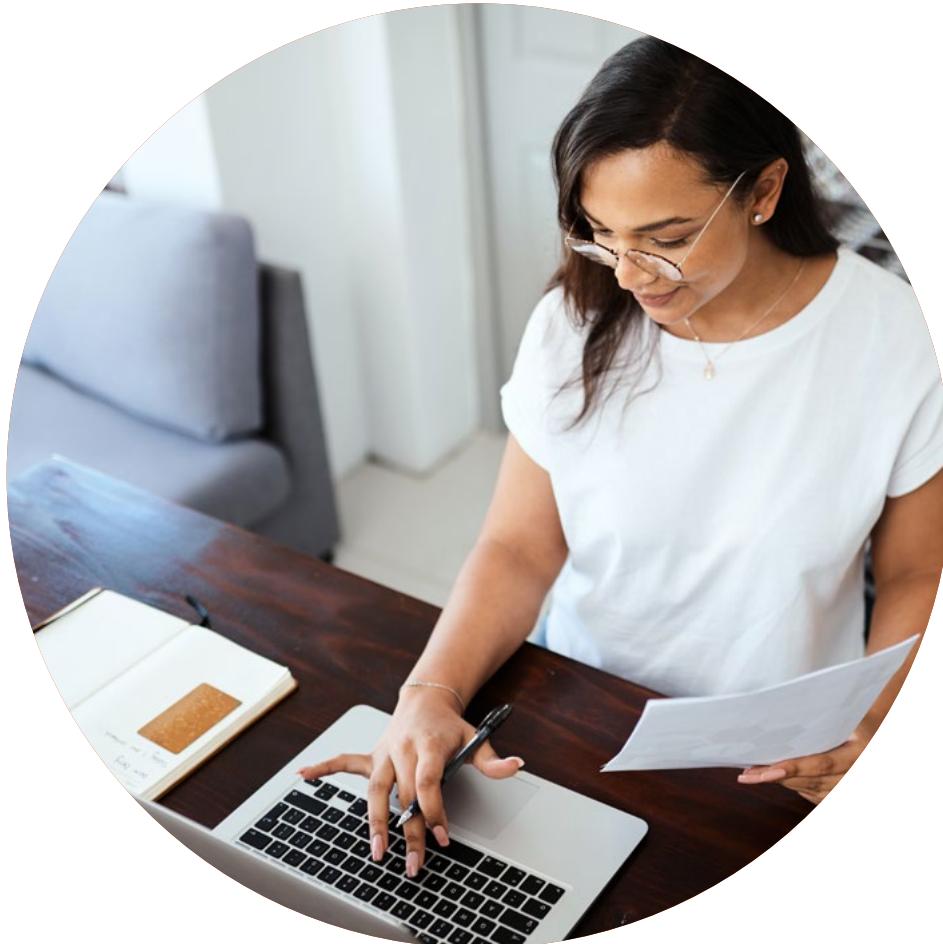
For CIOs, a lack of technology and data literacy skills within the finance team is the second biggest barrier to digital finance transformation. CFOs, meanwhile, say that a lack of financial literacy skills within IT is their biggest barrier to digital finance transformation progress.

- **69% of CIOs say their team is under pressure to innovate finance technology despite limited financial literacy**
- **Only 44% of CIOs are confident that their teams have the skills needed to keep pace with new and emerging finance technology**

“

In the future, I don't think finance employees will need to be IT experts, but they will need to be conversant, to understand technology trends, and to know the questions to ask.”

Daniel Perschke
VP and Controller,
The E.W. Scripps Company



The new playbook for digital finance transformation.

CIOs can help CFOs rewrite the playbook on finance by collaborating with them and ensuring that the organization is investing in ways to help that new partnership.

Figure 6: CIOs say that cloud and automation investments will do the most to improve IT-finance collaboration.

Cloud technology to support shift to continuous planning

28%

Automation of high-stakes tasks

26%

Upskilling/hiring finance talent with IT skills

24%

Improving data availability/usability for finance teams to make faster decisions

19%

Upskilling/hiring IT talent with financial literacy skills

19%

Tools to streamline financial close, consolidation, and reporting

19%

Reducing legacy debt across finance technologies

17%

Technology to streamline procurement

17%

Survey question: In order to improve collaboration between finance and IT, which of the following areas do you believe your organization should be investing in over the next two years? (C-suite IT respondents only; n=54.) Respondents stack ranked their top three choices.

Three ways for CIOs to take immediate action.

1. Exploit data to provide finance teams with new value.

The biggest value-adding opportunity for CIOs is data. Only 46% of finance and IT leaders say they currently have the systems required for finance teams to make accurate decisions at speed.

Of CFOs, 51% say they are increasingly reliant on non-financial data, such as environmental, social, and governance (ESG) and operational data, to make finance decisions. Technology leaders must embrace this opportunity, harnessing automation and tools to provide real-time insights for the finance teams that need them.

2. Align finance and IT—early and often.

At present, 44% of leaders say that finance and IT rarely align on the value drivers for new technology investments. And 41% of CIOs say they do not have a seat at the table during critical finance meetings—even when technology is essential to solving a challenge. This needs to change.

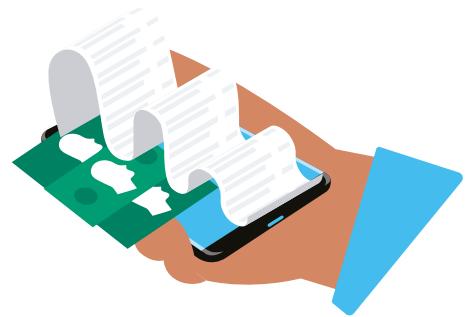
Finance and technology leaders must align on the future value and benefits that come from dismantling legacy systems. “The CIO must understand that interesting technology has to deliver a financial return,” says Charlie Steel, CFO at online healthcare provider Babylon. “But CFOs need to understand that there is an element of experimentation within technology if you want to be at the cutting edge.”

“

IT organizations need to change the way they operate. We must be a partner and a product organization. We deliver products, capabilities, and features that enable business.”

Ernesto Boada

Interim CIO,
Workday



3. Find a common language between finance and IT.

CIOs must speak the same language as CFOs to ensure their teams can collaborate effectively and work toward the same goals.

For CIOs, this is as much about ensuring that IT talent is financially literate as it is about ensuring that finance leaders can equip their teams with technology and data tools and capabilities.

Collaboration will accelerate the change management needed to digitally transform finance and help CIOs attract the new talent they will need to boost their capabilities. Now technology leaders must look for opportunities to provide cross-training and mentoring between finance and IT, identify skills gaps and learning paths, and ensure reporting structures align with business objectives.

About the research.

The data in this report comes from a global survey commissioned by Workday and conducted by FT Longitude in March and April 2022. The survey of 1,060 senior finance and IT leaders (C-suite or their direct reports) sought to understand the state of digital finance transformation in today's organizations and how it is impacting the relationship between finance and IT.

During analysis, respondents were segmented into two core groups: High Finance-IT Alignment and Low Finance-IT Alignment (see figure 2 and figure 3) according to their response to this question: "Which of the following best describes the current level of alignment between finance and IT in your organization?".

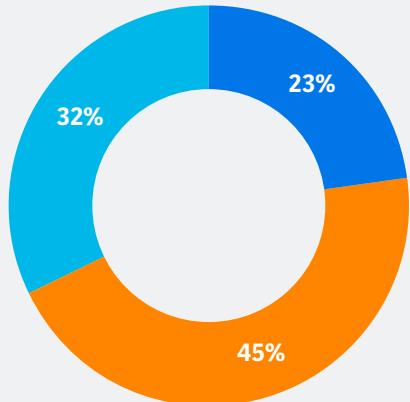
Respondents were based in North America, Europe, the Middle East and Africa (EMEA), and Asia Pacific and Japan (APJ), and worked across 11 unique industries. Respondent job titles included CFO, CIO, CTO, Director of Finance, Director of IT, VP of Finance, VP of IT, Head of Finance Planning, Controller, and Head of Digital Transformation. Our survey respondents included 50% finance and 50% IT roles.

In addition to this quantitative research, between March and May 2022, FT Longitude carried out 10 in-depth qualitative interviews with senior business leaders and transformation experts from finance and IT. Participants came from a range of industries including hospitality, media, technology, and healthcare.



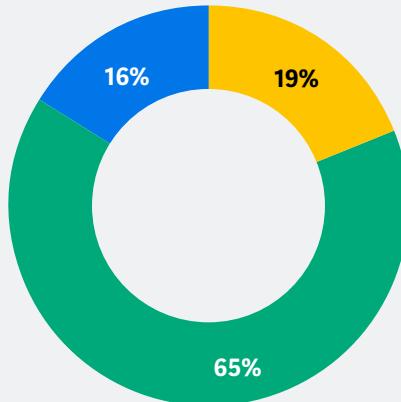
Regions

- North America
- EMEA
- APJ



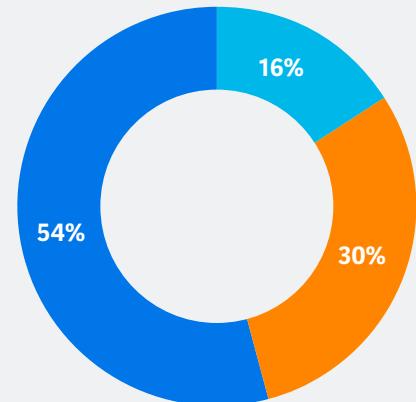
Company Size

- Small business (<500 employees)
- Medium enterprise (<500—3,499 employees)
- Large enterprise (>3,500 employees)

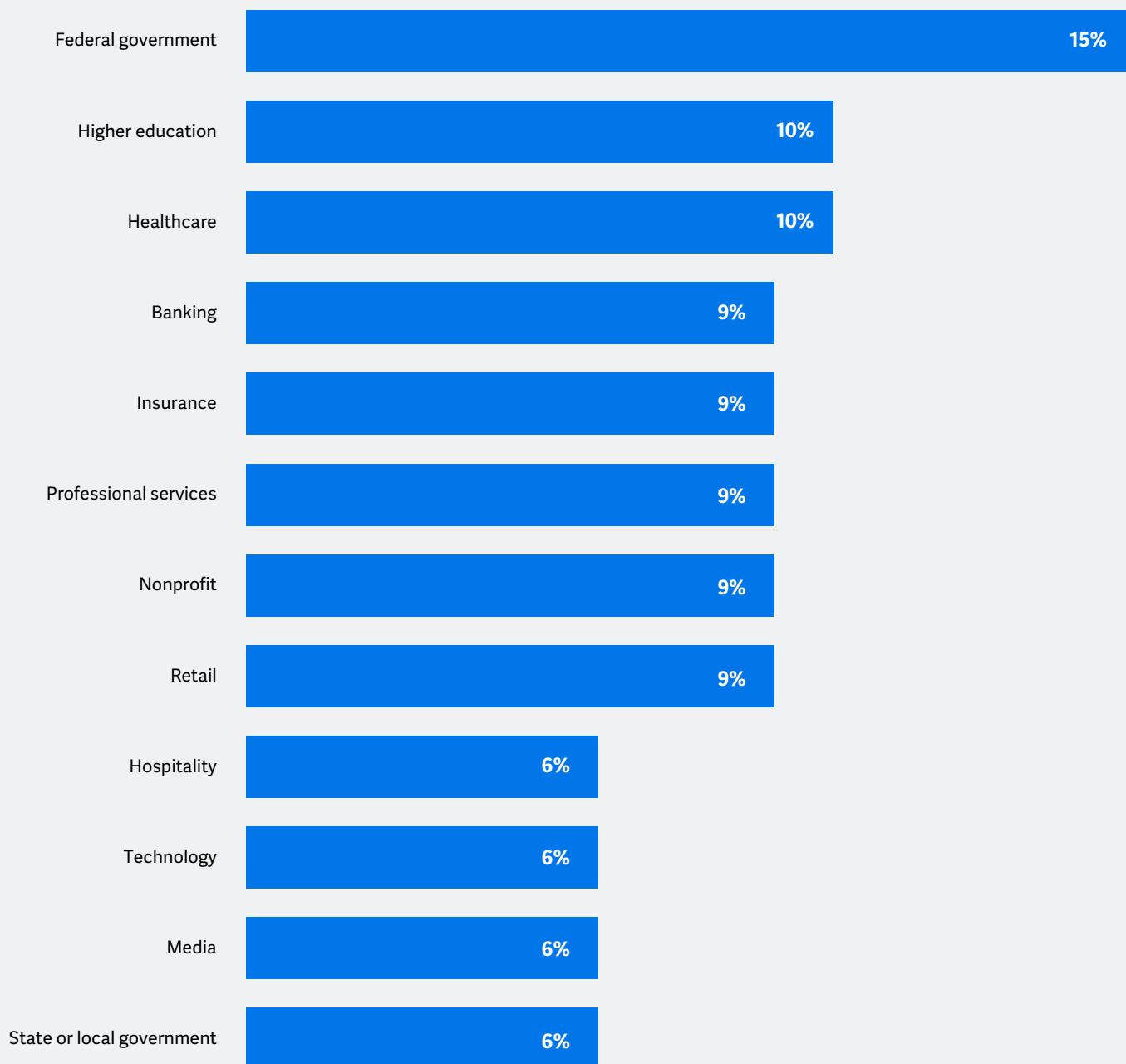


Seniority

- C-suite
- C-1 (director level)
- C-2 (head of unit, function or department)



Industries surveyed





How can you go beyond the boundaries
of legacy ERP with Workday? Go to:
workday.com/BeyondERP

About Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources, helping customers adapt and thrive in a changing world. Workday applications for financial management, human resources, planning, spend management, and analytics have been adopted by thousands of organizations around the world and across industries—from medium-size businesses to more than 50% of the *Fortune* 500.

For more information about Workday, visit workday.com.



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