

How Finance Can Build a Data Foundation to Fuel Frictionless Finance





Executive Summary

Organizations across industries and around the world are looking to accelerate their digital transformation efforts post-pandemic in an effort to better meet the challenges of the future, with many of them having begun that journey over the past year. The finance function is accelerating a shift that was already under way, with a focus on data—in terms of collection, access, and analysis—to provide even greater value to the business.

The past year has highlighted the importance of timely, decision-ready data for enterprises to accelerate growth, transform ways of working, and future-proof operations—and CFOs have recognized the need to prioritize internal investments accordingly. While some of that spend has already occurred over the past year, organizations are simultaneously gearing up for a new era that places emphasis on environmental, social, and governance (ESG) factors; diversity and inclusion (D&I) programs; and renewed attention to employee training and skills development.



Emerging CFO Trends

Over half of all CFOs surveyed (55%) are most focused on prioritizing environmental, social, and governance (ESG) and diversity and inclusion (D&I), reflecting an ongoing need to think differently about stakeholders, employees, and the communities in which organizations operate.

Key Survey Findings:

- The biggest gap that 49% of CFOs saw over the past year was the ability to execute with accurate, timely data that drives quick, informed decisions.
- Data management and analysis are 49% of CFOs' top priorities over the next 3 years.
- Nearly two-thirds of CFOs (60%) are investing in reimagining finance operations in the cloud and deploying AI/ML solutions.
- Predictive analytics is the most-sought-after automation capability for 50% of CFOs.
- Delayed product launches and missed financial forecasts were the result of not having the necessary data to make critical business decisions, according to 52% of CFOs.

We surveyed 267 CFOs globally at medium and large enterprises about the biggest gaps their finance organizations have experienced in the past year, where they have made the greatest progress to close those gaps, and where they plan to focus their resources.

In 2020, half of CFOs reported having invested in an intelligent data foundation and advanced analytics to improve decision-making across the enterprise. Meanwhile, 55% of CFOs say their organizations have at least a few departments fully transformed, meaning that they have adopted automated processes, artificial intelligence (AI), and machine learning (ML).

Frictionless finance—or using automation and machine learning tools to eliminate tedious manual tasks from core finance processes—appears to be the future of how enterprises will evolve to create data-driven strategies to meet the challenges that lie ahead.



The state of finance digital transformation.

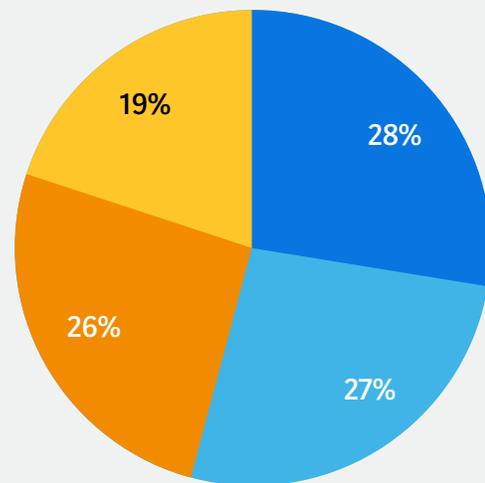
Transformation of the finance function involves incorporating day-to-day processes, predicting outcomes, and providing real-time insights on demand. A key piece of the puzzle includes a financial management system built on a singular data platform allowing for both granular transactional reporting and higher-level business insights.

More than one-quarter of enterprises are near the beginning of their digital transformation journey. According to the CFOs in the survey, more than three-quarters of finance teams are undergoing some form of digital transformation. The largest group of respondents (28%) are at the start of their transformation. Following closely are organizations with uneven adoption of digital finance across departments (27%) and those undergoing steady change (26%). The smallest group of respondents comprises those with nearly all processes automated (19%).

While organizations are currently undergoing system and process transformation, the next step will be to move beyond a transaction focus and embrace new technologies, such as machine learning.

More than one-quarter of enterprises are near the beginning of their digital transformation journey.

- We are just beginning to digitize finance
- Some departments are fully transformed, but others lag behind
- We have been steadily transforming processes
- We have nearly all processes automated and reported digitally



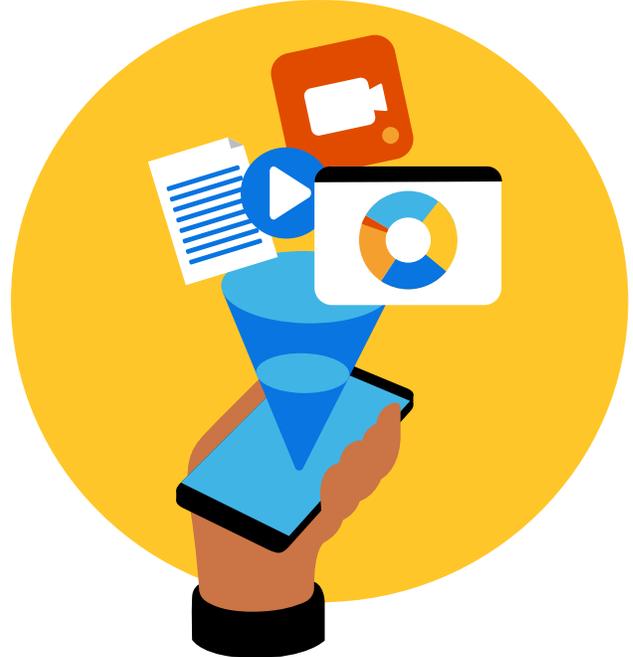
Survey question: Where are you on the path to digital transformation within the finance department?

Medium enterprises say they are further along in their transformation.

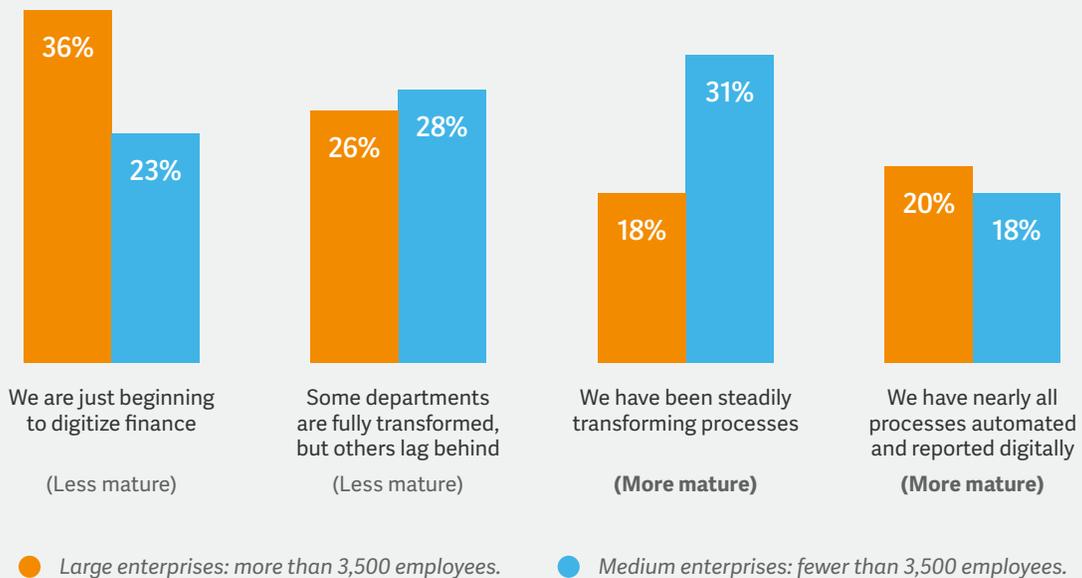
Our findings showed that digital transformation maturity, or how much of their finance organization has transformed, varied by organization size. Mature organizations in this case are those that have been steadily transforming processes, or have nearly all processes automated and reported digitally. More than one-third (36%) of large enterprises—those with 3,500 or more employees—rate their maturity level as just beginning to digitize their finance teams, while 23% of medium enterprises—those with fewer than 3,500 employees—say the same.

The responses suggest that medium-size enterprises have a greater degree of agility when it comes to implementing digital solutions.

However, only 18% of medium enterprises reported having nearly all processes automated and reported digitally, compared with 20% of large enterprises. This suggests that while larger corporations are finding it more difficult to launch their transformation projects, medium enterprises are more likely to stall during their process.



Digital Transformation Maturity¹ by Organization Size²



¹Mature organizations in this case are those that have been steadily transforming processes, or have nearly all processes automated and reported digitally.



COVID-19 challenged decision-making in finance.

To know what digital transformation looks like now and in the future, it's important to understand the impact of the pandemic on finance. COVID-19 has brought about both opportunities and challenges, prompting some businesses to respond by accelerating digitization. As organizations have developed ways to adapt, they've also discovered value in cloud technology, integrated data, and more-aligned finance processes. As the past year has shown, speed and agility will continue to be key in post-pandemic recovery, so it's necessary to close the gaps with data-driven decisions, process automation, and effective change management.

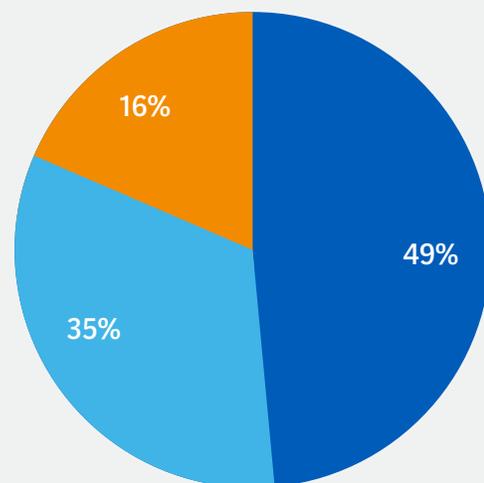
During the pandemic, 49% of CFOs faced the biggest gap in their ability to quickly execute by making decisions based on accurate, timely data.

This finding held in our survey regardless of organization size, meaning enterprises large and small are dealing with some of the same barriers to transformation.



Being decision-ready was the biggest challenge at the beginning of the pandemic.

- Being **decision-ready** with accurate, timely data to help management assess, plan, and execute quickly in a rapidly changing environment
- Being **automation-ready**, with touchless transactions and capabilities that supported virtual work and digital commerce
- Being **change-ready** with the right people, technology, and analytical skill sets in place to manage through the pandemic



Survey question: Looking back one year to when the pandemic first started, select the biggest gap your finance team faced in terms of its ability to execute in response to the crisis.

Investment in an intelligent data foundation.

Focusing on finance digitization developments since last year, respondents shared their main areas of progress. Half of CFOs report investing heavily in data, which included building an intelligent data foundation and advanced analytics.

This focus on informed decision-making and providing information to employees so they can move quickly indicates the expanding role of the CFO in data governance. Available, timely, and accurate information is critical for making decisions. Analytics that provide real-time insights into business performance will be increasingly crucial to remain competitive.

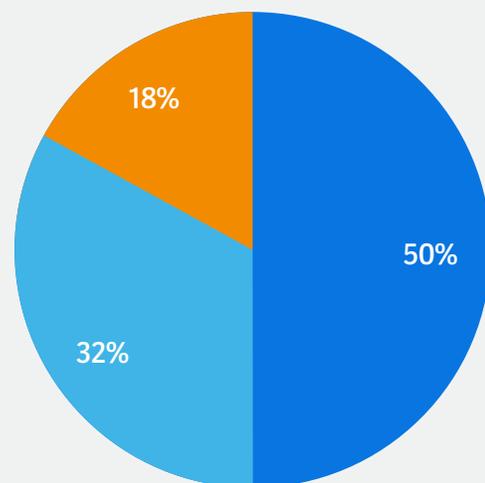
CFOs prioritized a change-ready culture as the second-largest investment area, a shift that requires an organization to transform from within. This is largely people-centric and includes employee training and upskilling, talent strategies, and modernizing the existing infrastructure to support new ways of working. Put another way, a change-ready culture helps ensure that investments in data, technology, and processes are fully leveraged.

Being change-ready was the biggest gap finance teams faced for just 16% of respondents, yet twice as many organizations (32%) are choosing to invest in creating a change-ready culture. This shows that businesses understand the value in upskilling their teams and deploying modern financial management systems, even when they've already made progress in these areas.



CFOs are investing in an intelligent data foundation.

- Investing in an intelligent data foundation and advanced analytics to create a single source of truth for better decision-making across the enterprise
- Investing in a change-ready culture by upskilling finance teams with talent strategies and modernizing existing infrastructure
- Investing in enterprise management cloud solutions to automate transactions end to end and create digital solutions for customers



Survey question: Today, one year later, where have you made the most progress to close these gaps?



Focusing on data and innovation.

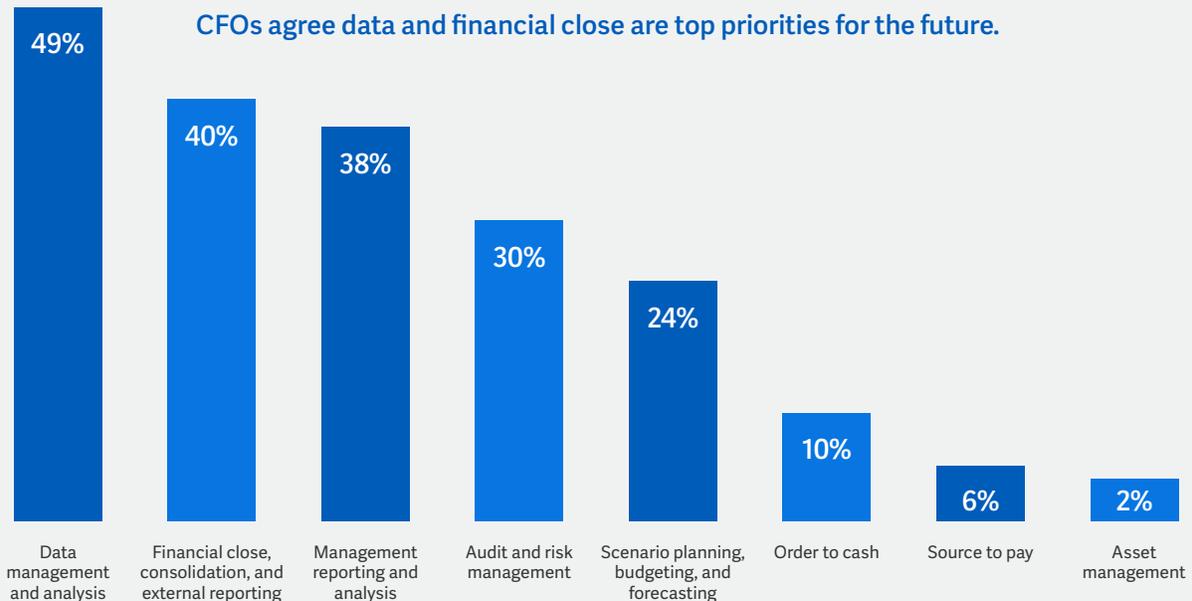
Navigating a way out of the pandemic means future-proofing finance operations and investing in the right areas. We asked survey respondents to name their priority areas for investment.

Data is the key digital transformation priority over the next three years.

When the survey participants were asked what they intend to prioritize in their transformation journey, data stood out as both a fundamental focus for respondents as well as an issue threaded throughout their other priorities.

Almost half of CFOs (49%) agree that data management and analysis are the most important elements in terms of digital transformation priorities. The second-biggest priority reported by CFOs was financial close, consolidation, and external reporting. But still, improving these processes and shortening the close period depend on timely, accurate, and accessible data.

Yet no matter how mature¹ their digital transformation, CFOs largely agreed on these top two priorities for the next three years. Curating the right data and turning it into actionable insights that are well organized, easily understood, and shared with the right stakeholders remain important for digital acceleration.



Survey question: Looking ahead to the next 1–3 years, what would you say are your top two finance digital transformation priorities? (Select two options.)

¹Mature organizations in this case are those that have been steadily transforming processes, or have nearly all processes automated and reported digitally.

CFOs plan to invest in cloud, AI, and automation.

In terms of what's next in the pipeline for CFOs, one-third (33%) are making AI and machine-learning-based solutions budgeting priorities while more than one-quarter (27%) are funding finance operations in the cloud.

By leveraging cloud technologies, businesses can ensure that employees are working with the same data and collaborating in real time. Additionally, the cloud provides access anywhere and anytime, the importance of which became abundantly clear during the pandemic and will remain vital in the new world of work.

Among the respondents, 18% report that they had made progress by investing in enterprise cloud management technology solutions during the pandemic, but our survey data shows a strong 27% wanting to reimagine finance operations in the cloud within the next few years. Organizations looking to accelerate financial digital transformation will continue to make investments in cloud finance, data, and advanced automation and AI.

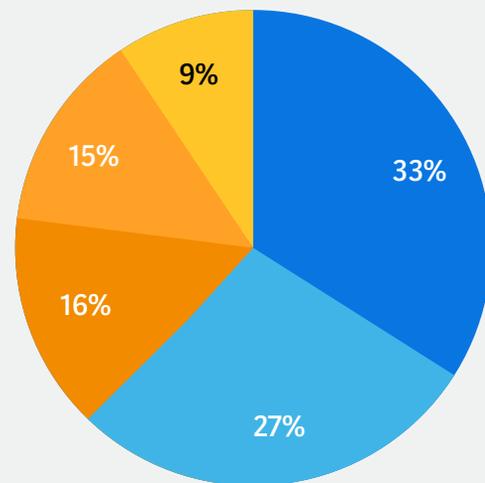


Deploying finance in the cloud is the next step for companies moving on from legacy systems, and automated financial processes pave the way for much deeper insights than before, leading to a frictionless finance future.

By adopting a data-first approach, organizations can bolster important business decisions, reduce risk, and accelerate transformation. The right financial system can automatically enrich and transform business event data into accounting entries and deliver real-time insights to drive business strategy and growth.

CFOs adopting a data-first approach to accelerate transformation.

- Investing in AI and machine-learning-based solutions
- Reimagining finance operations in the cloud
- Investing in robotic process automation (RPA)
- Investing in process reengineering and optimization
- Analytics and business intelligence technologies



Survey question: How do you plan to invest to address your top priorities for the next 1–3 years?

Maturity matters when prioritizing future investments.

When considering future investments and digital transformation maturity, 41% of CFOs with a mature digital transformation program say they will be investing in AI and machine learning, while 29% will be reimagining finance operations in the cloud.

However, for those organizations that are less mature in their digital transformation journey, CFOs chose two areas with equally high priority: AI and machine learning, and reimagining finance operations in the cloud tied at 26%. Following that, 22% of CFOs are planning to invest in robotic process automation (RPA)—compared to just 8% for more mature models—and 17% on process reengineering and optimization. This indicates that those with a more mature digital transformation model are looking past bolt-on RPA options and embracing a more holistic system.

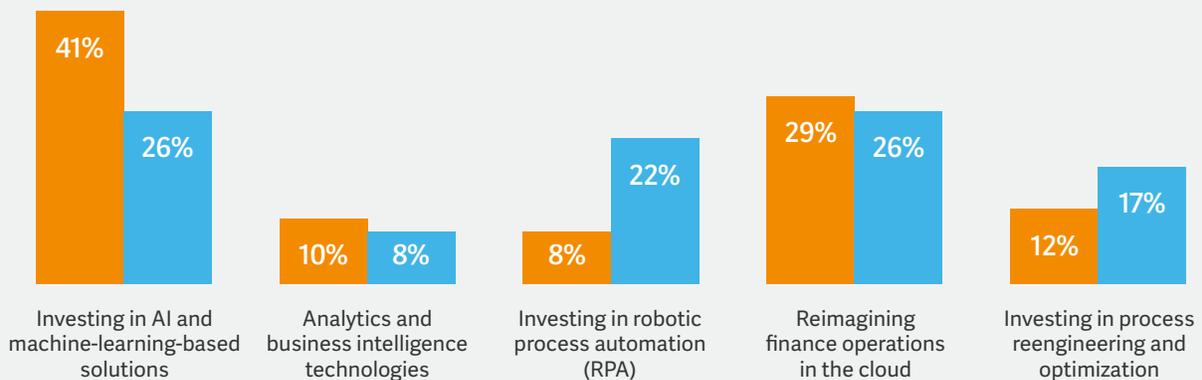
45%
of CFOs

have a mature¹ digital transformation program

(See chart on page 3.)

CFO investments vary by digital transformation maturity.

Mature¹ and Less Mature² Businesses and their Investments



● ¹ Mature organizations are those that have been steadily transforming processes, or have nearly all processes automated and reported digitally.

● ² Less mature organizations are those that are just beginning to digitize finance, or have some departments that are fully transformed and others that lag behind.



Getting data in order.

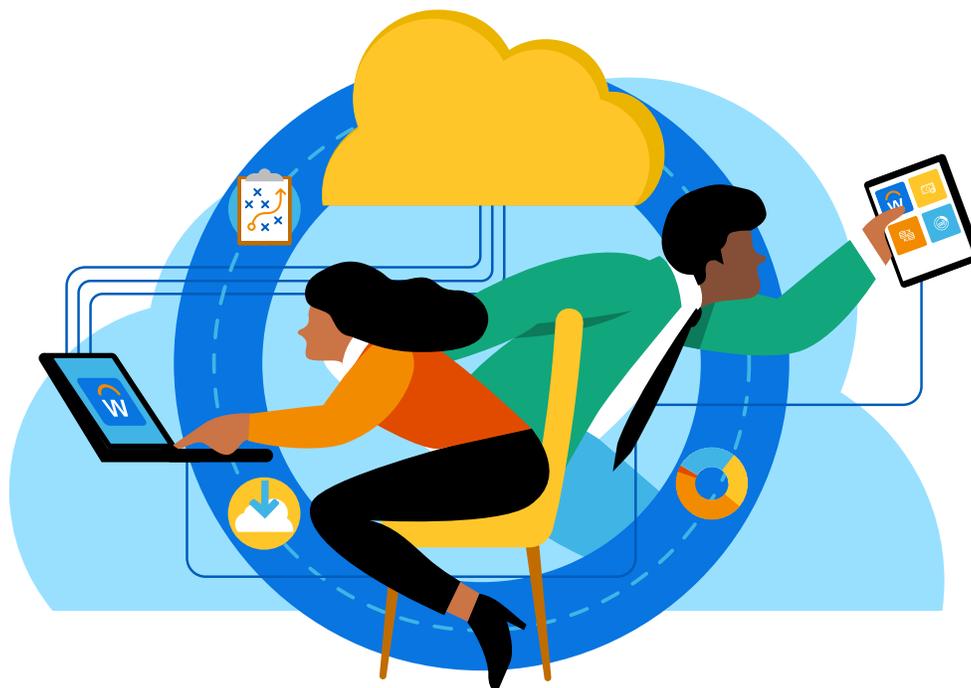
As enterprises shift from legacy systems to the cloud, the survey makes it clear that data stands out as a central element in making frictionless finance a reality. An organization's insights are only as good as its data, and the ability to make data-based decisions is only as good as the quality, completeness, and accessibility of that data.

Furthermore, data accessibility and a culture that emphasizes making data-driven decisions can help break down traditional silos, creating more seamless ways for teams to work together. But keeping up with volume and velocity of data is vital—as approximately 59 zettabytes of data were created in 2020—and that requires the right solutions.

From smartphones and IoT devices to ever-improving SaaS applications, data is everywhere. But for organizations to maximize their benefits, they first need to get their data

house in order. This means having the right system in place, combining the right data sources (internal and external), and changing workplace culture to be collaborative.

As detailed above, the CFOs in our survey see data as a key digital transformation priority. This next section digs even deeper into their responses to uncover their top data challenges and how they plan to address them.



All aspects of the data story need investment.

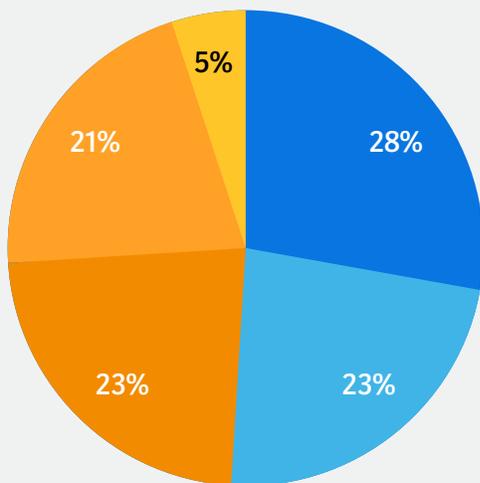
When asked about the process of raw data being transformed into meaningful insights, respondents named their top areas for investment, with a relatively even split across priorities.

Among the 267 respondents, 28% say data analysis and reporting need the greatest amount of investment. The pressure on finance to deliver insights to the wider business means there is a greater need for accurate analysis and reporting. Therefore, it's no surprise that 49% of CFOs plan to invest in predictive analytics, 45% plan to invest in machine learning, and 43% plan to invest in AI in order to create predictive insights with large data volumes and to deliver on the need for real-time analysis and reporting.

However, finance teams do not always have the data platforms in place to deliver on business demands. When asked in which areas they need to make additional investments in order to better turn data into analysis, respondents said sourcing and data cleansing (23%), reconciling data silos (23%), and data aggregation from multiple sources (21%).

Only 5% say their greatest investment need was generating actionable insights, suggesting that without a firm data foundation, CFOs will be unable to truly harness data to deliver insights—whether that's combining external data with operational and financial data, delivering dashboards that measure performance, or quickly creating ad hoc analyses to respond to new opportunities.

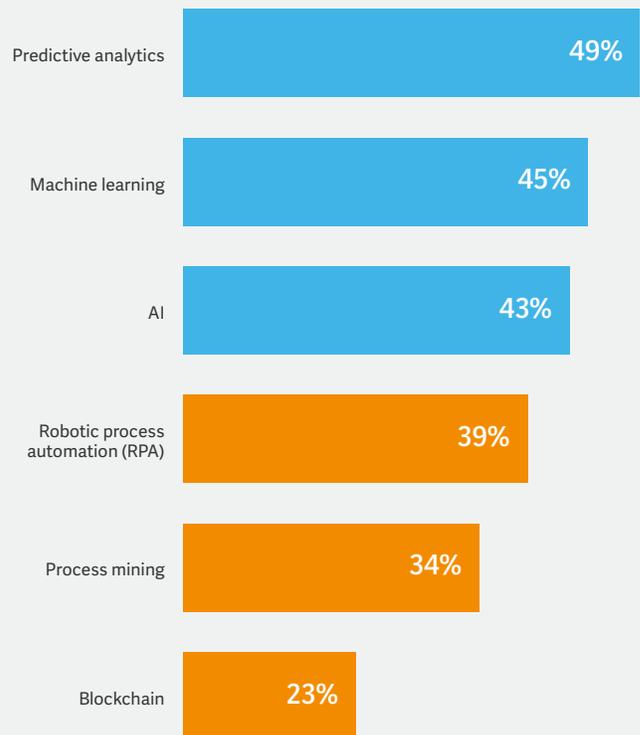
CFOs focusing on data foundation to drive business insights.



- Data analysis and reporting
- Sourcing and cleansing data
- Reconciling siloed data
- Aggregating from various sources
- Generating actionable insights

Survey question: When you think about your process of data becoming information, then reporting, then analysis, where do you see the greatest need to invest?

CFOs investing across emerging technologies.



Survey question: Which intelligent automation features of cloud financial technology do you intend to invest in?

Mission-critical business outcomes delayed due to data availability.

Without the right intelligent data platform in place, the finance function can find itself relying on siloed data that fails to provide a holistic view of the organization.

More than one-quarter (28%) of respondents say that not having the necessary data to make critical decisions has led to delayed product launches, while 24% report missed financial forecasts, and 17% say they had misaligned resource investments.

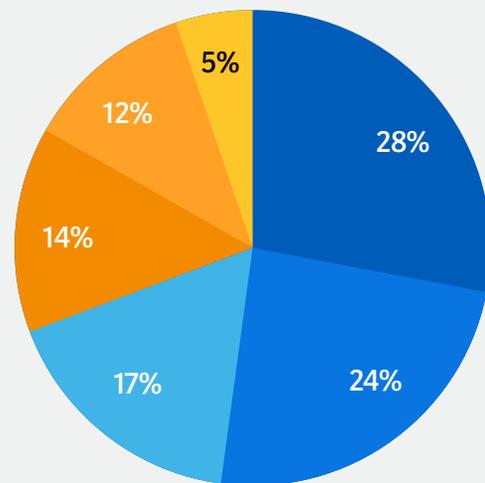
There's also a need for businesses to ingest and combine external data with their own financial and operational data. Most finance organizations are focused on internal data collection, but combining both is key if they want the full picture.

Almost 15% state that cash flow decisions were affected by poor data. This is still significant since even the smallest of variances in cash flow data can have significant impacts on the business, from making payroll to funding interest payments to banks and paying taxes.



Missed financial forecasts, delayed product launches top impacts from missing data.

- Delayed product launches
- Missed financial forecasts
- Misaligned resource investments
- Cash flow decisions
- Misaligned workforce strategy
- Missed opportunities in mergers and acquisitions



Survey question: Which area of your business has been the most directly impacted by not having necessary data to make critical decisions?



CFOs Focus on Emerging Trends

Accelerating digital transformation isn't the only thing that's top of mind for our surveyed CFOs. Here are other emerging topics that finance leaders are keeping an eye on.

ESG and D&I.

Environmental, social, and governance (ESG) concerns were the most popular emerging topic in the survey, with 29% of respondents identifying ESG as a top concern, followed by diversity and inclusion (D&I), at 26%.

Cloud-based systems for finance and human capital management could potentially play an important role in measuring and managing ESG and D&I programs and initiatives. A collaborative culture supported by information sharing and reporting, along with an end to disparate teams and departments, appears to be on the horizon.

Corporate taxation policies.

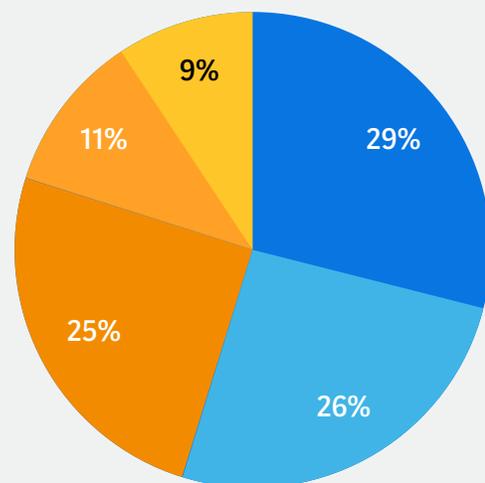
While 25% of organizations consider changes in corporate taxation policies to be the most important emerging topic, nearly one-third (32%) of those with less mature models do. This higher rate may result from a lack of confidence in their systems or lack of visibility into data.

Cybersecurity and cryptocurrencies.

Among the respondents, 12% say that cybersecurity is a top priority—and an area that would also benefit from cloud-based finance systems, which are inherently relatively more secure. Bitcoin and other types of cryptocurrency are top of mind for just 11% of surveyed CFOs, indicating that this is not a practical area of focus for most finance leaders.

CFOs focused on ESG and D&I.

- Environmental, social, and governance (ESG)
- Diversity and inclusion
- Changes in corporate taxation policies
- Cybersecurity
- Bitcoin and cryptocurrency



Survey question: Which of these emerging topics is your business most focused on prioritizing?



Our Final Thoughts

From our survey, it's clear that data is a significant focus for finance leaders and a key priority in digital transformation. This looks likely to remain a priority for the next one to three years.

CFOs want greater access to data in order to make faster, better-informed decisions, and their investments reflect that, with a significant portion of the surveyed CFOs having allocated their budgets for data analysis and insights.

Along with producing more valuable insights, improving data management is another key priority, reflected by the popularity of intelligent data foundations to produce real-time and predictive analytics to drive the performance of their business.

To improve the access to and management of data, CFOs have heavily invested in AI and automation. At the core of this is the need to future-proof finance operations, with AI and machine-learning-based solutions helping finance functions contend with ever-increasing data volumes and analysis requirements.

In the aftermath of the pandemic, significant investment in the cloud will also encourage collaboration by allowing easy access and sharing of data with appropriate parties—an especially vital function in the new world of work, where greater transparency and collaboration are likely to be in high demand.

Intelligent financial management software saves money for the business, by reducing costs and increasing quality, making business processes frictionless and much more efficient.



Looking Forward:

- CFOs are taking a greater governance role with data, with not only a need to report and analyze data, but also the need to establish a good foundational model to manage it. This means understanding the full journey from raw data to insights that actually provide value.
- CFOs must be decision-ready, but time frames have accelerated. As a result, they are focused on scenario modeling, data management, and financial close to meet changing requirements.
- Getting data and workstreams in order is vital for CFOs, with the majority currently managing through digital finance transformation today. The ability to contend with increasing volumes of data with an intelligent data foundation is key to faster, better-informed decisions.

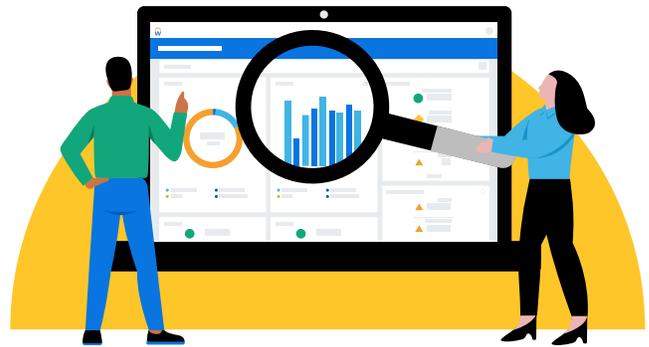


Survey Methodology

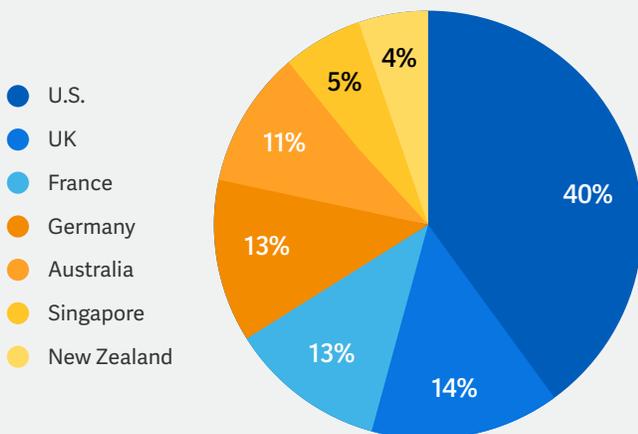
Sample set.

The survey polled 267 CFOs around the globe. Out of all respondents, 40% are in the U.S.; 40% in Europe, the Middle East, and Africa; and 20% in Asia-Pacific.

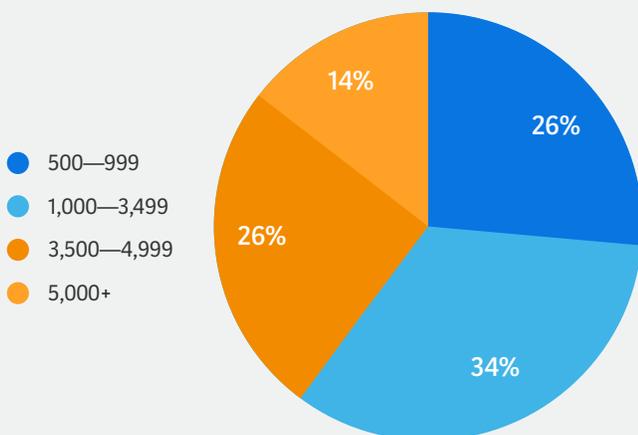
The survey respondents came from organizations of varying sizes, with 60% from medium enterprises and 40% from large enterprises.



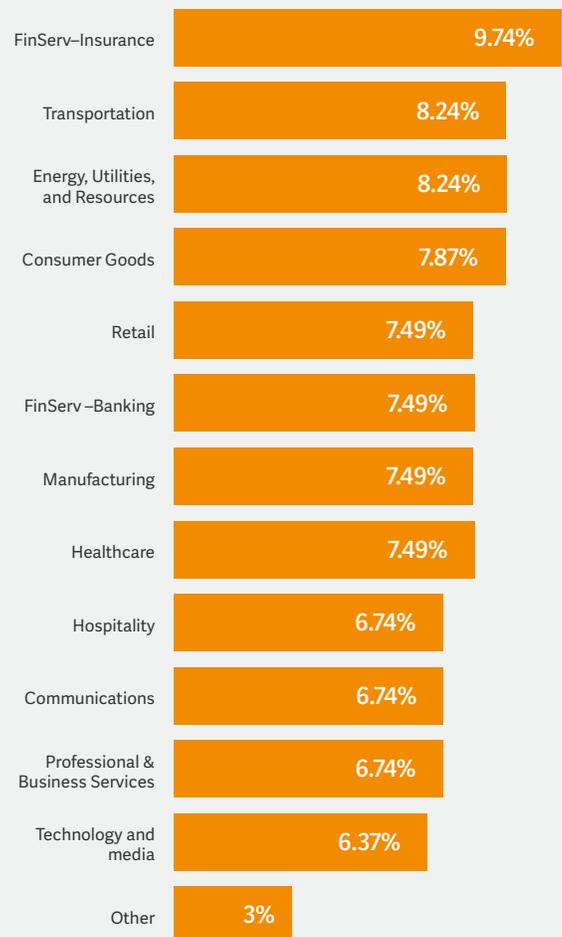
The respondents are from a variety of industries, including communications, consumer goods, energy and utilities, financial services, healthcare, hospitality, manufacturing, retail, technology and media, and transportation.



In which territory are you based?



How many employees are there in your organization?



In which industry sector does your company operate?

About Workday

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Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-size businesses to *Fortune* 50 enterprises have selected Workday.

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