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**Modern CFOs want ownership of the tools and technologies that enable them to do their jobs without being dependent on IT for access and enablement.**

# How the Office of Finance Drives Digital Resiliency

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**Questions posed by:** SAP

**Answers by:** Chandana Gopal, Research Director, Future of Intelligence


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## Q. How has the role of the CFO evolved to meet the needs of a resilient business?

**A.** Digital resiliency has become a priority for businesses of all sizes and across all industries. Organizations have to rapidly respond and adapt to new situations. Businesses that are poised to take advantage of opportunities that present themselves often outperform their peers and the market. But what makes some organizations more resilient than others? It is their ability to have visibility into the current state of the business, a situational awareness that allows them to take stock of the present and strategically plan for the future.

The role of the CFO is critical to an organization's strategy and direction because it straddles two different aspects of the business. On the one hand, the CFO is a steward of the current state of the business — in charge of maintaining systems of record, managing expenses and risks, and running an efficient operation. On the other hand, the CFO influences the future direction of the organization by evaluating the outcome of available opportunities and planning for the resources that are required to drive growth.

The office of the CFO has always been data driven, but modern CFOs are demanding access to more data and the ability to own and manage access to all the data sources they need to be effective strategists. IDC's research has shown that CFOs want ownership of the tools and technologies that enable them to do their jobs without being dependent on IT for access and enablement. To a large extent, this evolution has been supported by the growth in cloud data sources and cloud-based planning and analytics tools that can be owned and managed by the office of finance.

## Q. What types of data are being leveraged for business operations and insight by the office of the CFO?

**A.** Modern data environments have become very complex. The data required by the office of the CFO for decision making is rarely in a single database or application; rather, it is likely distributed across hybrid and multicloud environments. IDC research indicates that 87% of CXOs want their organizations to be more intelligent in their decision making. However, data-native workers (including those in finance) spend just 28% of their time in analysis, which means most of their time is spent in data preparation and data management.

Having access to timely and trustworthy data is a critical success factor for CFOs, who often want a single source of data they can access and analyze quickly and easily, especially if it's real time. Data used by CFOs for strategic planning is often from disparate systems of record such as ERP (general ledger, HR applications), CRM (sales planning), and operations (supply chain). CFOs want to be able to synthesize data from all these sources and be able to do sophisticated analytics such as scenario planning, what-if analysis, variance analysis, and predictive analytics on that data. Ideally, finance works with IT to identify the systems of record from which it wants data and builds a scalable data layer that can be optimized for analysis, but the office of finance owns the ongoing execution and administration.

## Q. What does the data layer provide to the office of finance, and why should the office of finance invest in it?

**A.** Making sense of and analyzing data are difficult tasks in a modern data environment in which data is highly distributed, diverse, and dynamic. According to recent IDC research into enterprise data culture, half of the respondents said they are overwhelmed by the amount of data, while 44% said they do not have enough data to support decision making. A high-level executive responsible for strategic planning told IDC that the biggest challenge is having data silos within the organization, so no one could get to a single source of truth.

Another common issue is that there is no standardization of the language of business across many organizations. An account number in one system of record may be a customer ID in another source, and so on. Without a common glossary of business data, enterprises are forced to plan in silos, and the office of finance is often tasked with assimilating data from a plethora of spreadsheets that are emailed back and forth.

The result of this disconnected, siloed approach is that analysis is slow, error prone, and inefficient. By the time data is analyzed, it is already out of date. Any opportunities available to the enterprise to capitalize on are lost. A common data layer gives organizations the ability to analyze and act on data that is contextual and fresh, allowing decision makers to see the impact of their actions immediately.

## Q. How should the office of finance think about transformation and modernization?

**A.** Companies that consider the office of finance tactical and not strategic do themselves a disservice. The office of the CFO should be seen as a strategic partner in an organization's digital transformation journey because the CFO has the ability to reflect on past performance and support future growth. The CFO is responsible for delivering results, managing risk, funding operations, and planning for the future state of the enterprise. Digital transformation initiatives should be coordinated across the enterprise, and the impact on all aspects of the business should be considered. The office of the CFO can bring all the stakeholders to the table because it ultimately provides funding.

Organizations looking to transform finance should evaluate business processes and all the data required to drive decision making. They should identify the biggest pain points and inefficiencies, such as email-driven workflows, asynchronous collaboration, troubleshooting, and manual data entry as well as all the data dependencies inherent in those processes. In addition, organizations should bring in best practices and build a business case on the return on investment that will be achieved by transformation. They should also dedicate resources to building modern data and analytics platforms for finance and pay particular attention to architecting a scalable data model. The true benefit of transforming the office of finance lies in connecting it to other lines of business (e.g., HR, sales, operations, marketing). Having a connected platform allows finance to run scenarios and see their impact on other areas of the business, ensuring collaboration between departments, especially in areas such as strategic and operational planning. To engage in activities such as scenario planning and impact analysis, the office of finance needs access to more data than ever before, particularly in cases where it is building predictive planning models using machine learning algorithms.

## Q. What are the most critical imperatives for the modern CFO in enterprises?

**A.** The modern CFO has to be a facilitator for digital transformation — bringing together different stakeholders to align priorities for investment and enabling digital resilience that drives business growth and innovation. Planning has become continuous to allow enterprises to adapt to rapidly changing market conditions. IDC studies have shown that 67% of organizations are prioritizing investments in automation, and this is relevant to CFOs as they plan for the future.

When organizations strive to become more data driven, a key success factor is how comfortable leaders and executives are in being hands-on with data. CFOs have the opportunity to "role model" working with data, leading by example so that organizations are able to transform and modernize much more effectively.

Keeping abreast of innovation can also add value to the office of finance. Core technology elements to leverage include:

- Cloud data warehouses, which are becoming easier to help connect multiple data sources, access real-time data, and model data
- Cloud planning analytics tools, which are no-code platforms that can be completely owned and administered by business users
- Artificial intelligence and machine learning, which are being embedded into business applications and process flows more than ever before

The COVID-19 pandemic has reinforced the importance of the office of the CFO. IDC has tracked the evolution of organizations through the pandemic and found that they moved from digital adaptation to digital acceleration to building digital resiliency. The office of the CFO is critical to that evolution. In the initial reactive stages of the pandemic, the office of the CFO managed costs, planned for a change in work models, and established a business continuity strategy. As economic conditions stabilized, CFOs began planning for different scenarios, conducting impact analysis, and weighing risks and opportunities. Further, as nations are emerging from the pandemic, CFOs are establishing an operational strategy in this transformed world. For each of these steps, they need access to timely, governed data for strategic and operational planning. The COVID-19 pandemic is not the first disruption faced by enterprises, nor will it be the last. This crisis, however, has underscored the need to be digitally resilient and data driven.

## About the Analyst

***Chandana Gopal,*** *Research Director, Future of Intelligence*

Chandana Gopal is Research Director for IDC's Future of Intelligence market research and advisory practice. Her core research covers factors that influence enterprise intelligence, including technologies such as artificial intelligence, business intelligence, and data intelligence and cultural elements such as data literacy and knowledge sharing. Based on her background in integration and analytics, her research includes a particular emphasis on how organizations can build enterprise intelligence and use it as a competitive differentiator and growth accelerator.

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