

The Evolution Of Finance Demands Technical Capabilities To Match

Introduction

Once viewed as heads-down number crunchers, finance and accounting professionals are no longer confined to back-office functions revolving around spreadsheets. Corporate finance's three "C's" (cost, compliance, and control) are now joined by a fourth: "customer." In the age of the customer, the finance function must now enable growth by identifying new ways to not only maximize revenue performance, but also assess risk and drive growth across the organization in the context of an increasingly competitive customer landscape. Indeed, CFOs and those who work under them are now expected to think beyond the numbers and act as strategic business partners in achieving forward-thinking objectives that maximize customer value and, thus, their firms' competitiveness. To be successful, finance professionals require capabilities not associated with their traditional purview that address this new dynamic. However, there is a disconnect between the pace of change in their responsibilities and how quickly technologies that address those new responsibilities are made available to them.

This Microsoft-commissioned profile of senior medium-size business and enterprise finance professionals evaluates the evolution of finance functions toward the more strategic objectives of driving performance, assessing risk, and accelerating growth, as well as the delta between current technology capabilities and those that these professionals require in order to effectively achieve these objectives. This analysis is based on Forrester's own market data, as well as a custom study of the same population.

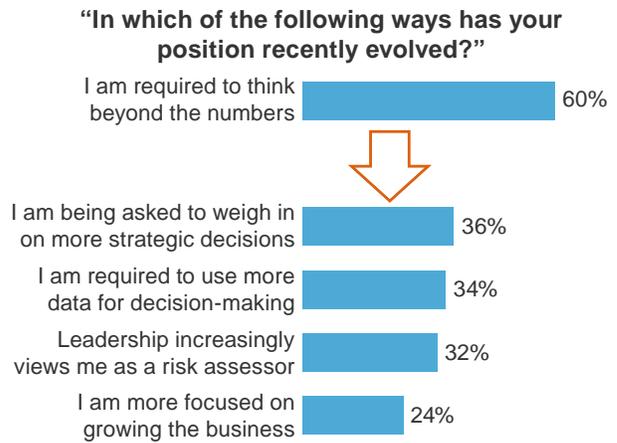
The Age Of The Customer Has Moved Finance Beyond Its Traditional Purview

The age of the customer has left no industry unaffected, as entrenched methods of engagement are flipped on their heads with anytime, anywhere capabilities that allow increasingly well-informed customers to fulfill needs on their own terms.¹ Similarly, the impacts of this shift are not confined to customer-facing business functions such as sales and marketing. Traditionally back-office functions such as finance must also reevaluate their roles and objectives to best serve the end customer and drive competitiveness. Finance professionals are no longer able to simply add fees or raise prices to generate revenue. Rather, they must work with their cross-functional colleagues to provide experiences that delight increasingly discerning and powerful customers and drive loyalty, while doing so in a manner that accelerates performance, drives growth, and assesses risk.² Our analysis found that finance professionals now:

› **Think strategically, beyond the numbers.** The days of finance professionals' reputations as spreadsheet wizards may be numbered, according to our survey respondents. A solid majority (60%) claimed that they are now required to "think beyond the numbers." What that constitutes varies from organization to organization, but our survey indicates that common themes include weighing in on strategic decisions, leveraging more data when making those decisions, taking the role of risk assessor for the broader organization, and devoting more time to growing the business, rather than managing revenue (see Figure 1).

› **Put customer experience nearly on par with dollars and cents.** Unsurprisingly, cost reduction remains finance professionals' No.1 goal. However, age of the customer initiatives have narrowed the delta between the bottom-line and customer-centric objectives on Finance's priority list. Improved customer experience, for instance, rates closely behind reduced costs. Similarly, majorities of these professionals view improved products/services, addressing rising customer expectations, and improved ability to innovate as top goals. They also prioritize technical capabilities, such as big data analytics and digital technologies, as important elements of achieving these expanded objectives (see Figure 2).

FIGURE 1
Finance Is Evolving Past Its Tactical Duties

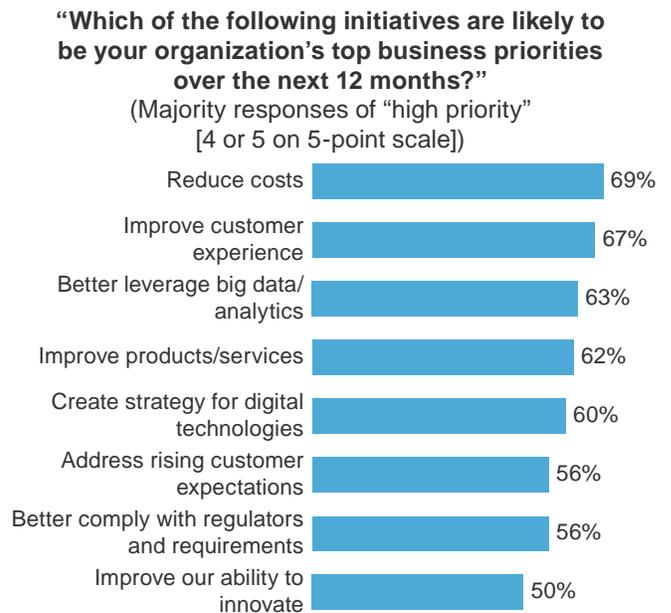


Base: 50 finance/accounting professionals at US companies with 500+ employees

(top five answers shown)

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, July 2015

FIGURE 2
Customer Obsession Has Infiltrated Finance



Base: 52 finance/accounting professionals at North American companies with 500+ employees

Source: Business Technographics® Global Priorities And Journey Survey, 2015, Forrester Research, Inc.

Finance Professionals Seek Evolved Capabilities To Complement Evolved Responsibilities

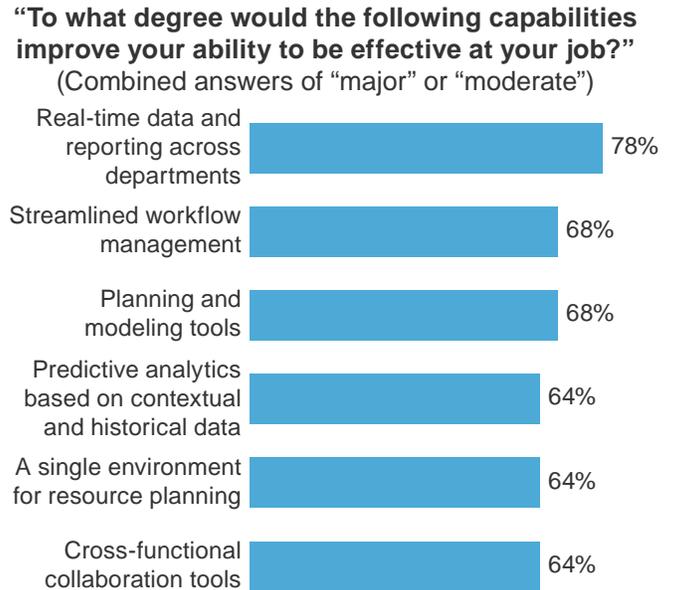
The elevation of finance professionals from number crunchers to strategic growth drivers not only raises their profile, but also signifies the converging objectives across enterprise departments in an era of unprecedented competition. However, these professionals are now challenged to ensure their firm's financial health while simultaneously helping their cross-functional colleagues meet the needs of increasingly discerning customers. What capabilities do these individuals seek in order to achieve these seemingly contradictory goals, and what effect do they have? Our study found that:

› **Finance needs integrated, up-to-date, data-intensive capabilities.** The linchpins of Finance's new scope of responsibility can be summed up in three words: data, collaboration, and process. A whopping 78% of survey respondents indicated a significant need for real-time data and reporting across departments, making it their most desired capability. Taking that a step further, 64% also seek predictive analytics based on contextual and historical data to aid in decision-making. But sophisticated data access and analysis aren't the only competencies these professionals need. Similarly, they also seek refined ways to work with the diverse set of associates they now collaborate with various stakeholders and business functions across their organizations, such as streamlined workflow management (68%) and cross-functional collaboration tools (64%). Most importantly, according to 64% of respondents, they want a single environment for planning and utilizing these resources (see Figure 3).

› **Improved capabilities unlock the potential of Finance's evolved role.** When asked what value their desired capabilities would add to their jobs, survey respondents indicated they would bring enhancements not only to their ability to accelerate performance across the organization, but also to their ability to assess risk and drive growth. From a performance standpoint, 50% indicated that enhanced capabilities would allow them to perform their jobs more quickly and efficiently — a critical metric in an era in which the business must turn on a dime to keep up with technological advancements and customer demands. More than half (52%) indicated enhanced ability to make more informed decisions, such as those that reduce organizational risk (see Figure 4).

FIGURE 3

A Data-Intensive, Cross-Functional, Process-Oriented Scope Of Responsibility Requires Capabilities To Match



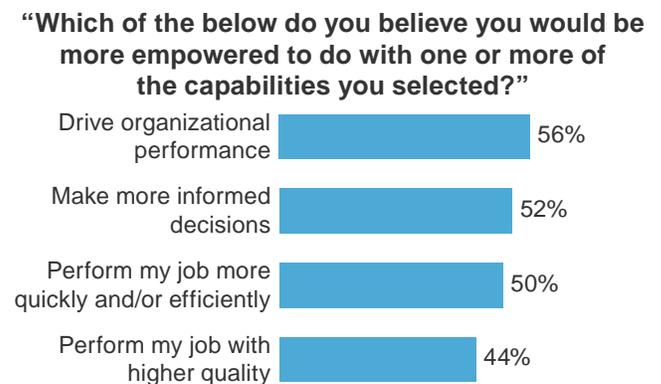
Base: 50 finance/accounting professionals at US companies with 500+ employees

(top six answers shown)

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, July 2015

FIGURE 4

With Upgraded Capabilities, Finance Is Empowered To Do More



Base: 50 finance/accounting professionals at US companies with 500+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, July 2015

Finance's BT Agenda Must Keep Pace With Its Elevated Role

As the power dynamic shifts from businesses to customers, IT departments are likewise shifting their focus to *BT*, or business technology — a series of technology, systems, and processes to win, serve, and retain customers.³ This shift has been most notable in outward-facing systems of engagement, such as the tools that deliver increasingly personalized messaging and content through new sales and marketing channels like mobile and social media. The shift of internal systems for business functions not typically associated with customer engagement, however, has been slower. And while technologic advancements for these roles have lagged, their expected contributions and outputs have forged ahead, as our research has demonstrated. In the case of finance, this mismatch between revamped roles and technologic capabilities presents notable challenges, but also opportunity to cultivate a more productive and appreciative relationship with technology decision-makers. Our analysis found that:

› **The finance BT agenda isn't being met.** Finance professionals need effective capabilities to handle disparate sources of data and effectively collaborate with cross-functional stakeholders, and to do so in a process-oriented manner. But according to our survey respondents, current technology stacks leave a gap between need and current state. Sixty-four percent of respondents said it takes too long to retrieve the data they need, for example, and 52% complained of the data they need being excessively spread out across too many repositories or applications. Furthermore, nearly half of respondents lack access to the reports they need, and they don't have the capability to easily create them. Once they have their required information, finance professionals have difficulty leveraging it to its full potential, either because of an inability to effectively coordinate with other stakeholders or because of processes that are haphazard or not streamlined, both of which are cited as significant challenges by 58% of respondents (see Figure 5).

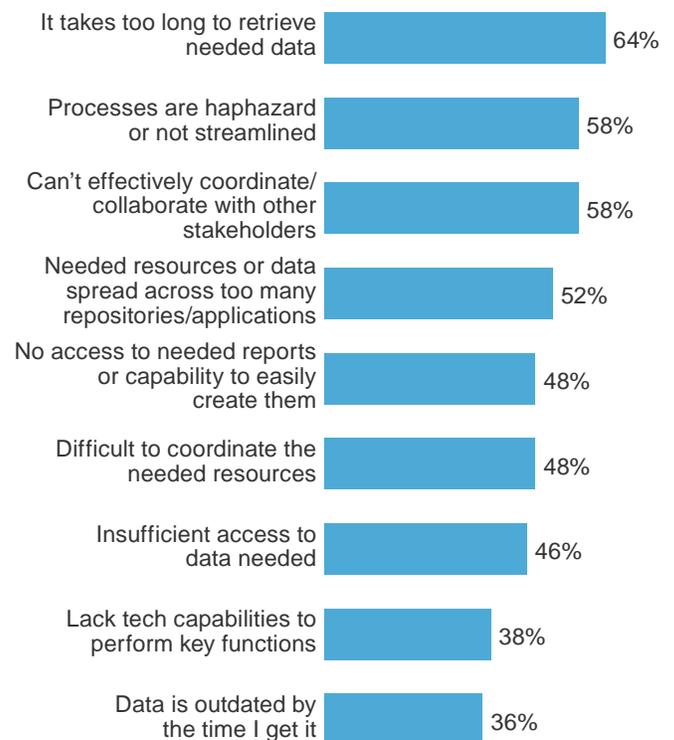
› **Finance has the opportunity to propel its evolution forward through a strengthened relationship with IT.** Despite a blurring of distinctions between organizational functions in the age of the customer, lines of business inherently exist, at least partially, in siloes. A lack of cross-role socialization leads to diminished understanding of each other's contributions toward an organization's

overarching mission. Our data shows such a disconnect between Finance and IT that can help explain why the former's BT agenda has not been met as the role's scope of responsibility expands and elevates. For instance, only 32% of finance professionals believe that their IT counterparts understand what they need in order to be successful. This leads to both a low level of satisfaction in the technologies that Finance is provided with (only 39% are very satisfied), as well as an IT department's ability to meet its technology needs (only 38% are very satisfied) (see Figure 6). Finance has the opportunity to strengthen its partnership with IT colleagues to foster understanding of not only how its function has changed, but how IT can help drive the evolution forward in the interest of customers.

FIGURE 5

Finance Faces Shortcomings In Capabilities To Perform What Is Expected Of Them

“To what degree do the following present a challenge to achieving what is required of your role?”
(Combined answers of “major” or “moderate”)



Base: 50 finance/accounting professionals at United States companies with 500+ employees

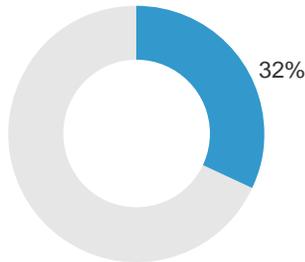
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, July 2015

FIGURE 6

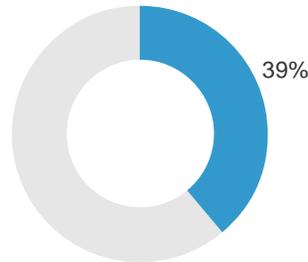
Finance Must Articulate Its BT Requirements In Order To Undertake Its Evolved Responsibilities

“How satisfied are you with the following?”
(Answers of “very satisfied”)

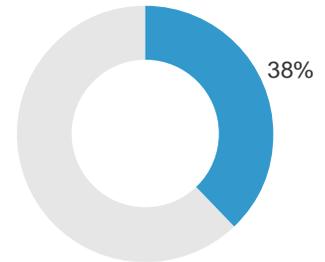
Our IT department’s understanding
of what I need to be successful



The technologies that my company’s
IT department gives to me



Our IT department’s ability to meet
my technology needs



Base: 64 finance/accounting professionals at North American companies with 500+ employees

Source: Business Technographics® Global Priorities And Journey Survey, 2015, Forrester Research, Inc.

Conclusion

As it has done for all business functions, the age of the customer has challenged finance professionals to take on new, more strategic responsibilities. Long gone are the days of finance as the “department of ‘no.’” Today, these professionals must work with disparate information sources and a cacophony of stakeholders across various lines of business to deliver value to increasingly discerning and demanding customers, while simultaneously ensuring the fiscal health of their organizations. The tactical evolutions of individual finance positions will progress depending on the organization and its goals. However, they share a common focus on the customer and the ensuing needs for agile, integrated, and process-oriented technologic capabilities. These capabilities effectively leverage the data and cross-functional resources on which they depend, to enable their colleagues to improve customer experiences in a fiscally responsible manner. Beyond following the necessary steps of breaking out of silos and asking themselves if they are ready to take on a bigger role, finance leaders must also cultivate an understanding among their IT colleagues of how their scope of responsibility has changed, where it’s going (e.g., toward cloud, real-time analytics, or mobile), and what technology they will need in order to keep up both now and as their role evolves.

Methodology

This Technology Adoption Profile was commissioned by Microsoft. To create this profile, Forrester leveraged its Business Technographics Global Priorities And Journey Survey, 2015. Forrester Consulting supplemented this data with custom survey questions asked of 50 finance and accounting professionals with manager or above seniority at US companies with over 500 employees. The auxiliary custom survey was conducted in July 2015. For more information on Forrester's data panel and Tech Industry Consulting services, visit www.forrester.com.

Endnotes

¹ Forrester defines the age of the customer as a 20-year business cycle in which the most successful enterprises will reinvent themselves to systematically understand and serve increasingly powerful customers. Source: "Technology Management In The Age Of The Customer," Forrester Research, Inc., October 10, 2013.

² Source: "Grow Your Revenue Stream With Customer-Centric Finance," Forrester Research, Inc., January 27, 2015.

³ Source: "Applying Technology, Systems, And Processes To Win, Serve, And Retain Customers," Forrester Research, Inc., August 21, 2014.

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