The Future of Finance Systems

Global Survey 2019

Insights from the FSN
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Dear Colleagues,

FSN's "Future of Finance Systems" Survey 2019 provides a fascinating insight into the challenges of setting the most appropriate course for financial systems in one of the most turbulent and disruptive periods in our professional lives. And I would like to say a special thank you to everyone who took the time to contribute their views, helping us to frame the issues, concerns and trends that will define likely progress over the next 5 years. There is widespread agreement that financial systems are doing little more than the rudimentary job of processing transactions, containing costs and complying with regulation. Only 50% of this survey's respondents said that finance systems can be considered strategically important, with the ability to deliver competitive insights.

The research also exposed the gap in our knowledge about the systems available and what they do. Worse still many do not have the time to investigate new opportunities for process innovation, standardization and automation. So around 46% of finance functions have to contend with what they have, unable to make big strides forward. This is of course markedly at odds with the rampant changes all around us. The survey strongly signals the possibility that many finance functions will get left behind, by market forces and strong competition.

However, those finance functions that have commenced their migration journey from legacy systems have found enormous benefit from cloud-based processing. Only 17% of survey participants said the cloud did not deliver the benefits they were expecting and an astonishing 92% will invest either completely or partially in cloud technology over the next 5 years. That is quite a turnaround from just a few years ago and, encouragingly, almost 60% will change and improve their processes as part of their migration to the cloud. This is significantly up on the last time that FSN asked the question.

Different sizes of organization have a different attitude to cloud deployment (public, private or hybrid) as well as the systems architectures they prefer, for example, best of breed, unified application suites or some hybrid combination. Whichever route they take, the shortage of digital skills could serve as a significant brake on progress, with the majority of finance functions not investing enough in training and development of suitable finance talent.

Analytic capability built-in to applications and opportunities for advanced automation remain top of mind for CFOs. Speed-to-insight remains supremely important in challenging market conditions.

We hope that you find the survey's findings set out in this document thought-provoking and interesting. But above all we hope that the contents of this report together with FSN's 2019 "Innovation Showcase" released earlier this year, will inspire you to explore and discuss the future of finance systems in your own organization with your colleagues.

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Executive Summary

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In 1965, Intel co-founder Gordon Moore predicted that computing power would grow exponentially. While it may no longer hold true that processing power doubles every year, Moore's Law has instead become a metaphor for the speed of technological change. So while it's not possible to buy into every new technology that comes on the market, companies need to be doing as much as they can to ensure they have the most competitive tools in their arsenal. Customer-facing systems have already taken most of the investment set aside for IT upgrades, while legacy finance systems are lumbering under the weight of changing consumer demands and agile start-up competitors.

State of the migration

In broad terms the current state of finance systems is unable to support the new environment in which businesses operate. Market changes, caused by and in response to the rapid evolution of technology, can be so fast that whole sectors become obsolete or new business models overtake old within a few short years. Finance systems are failing CFOs in their role as strategist and business partner, and are leaving organizations vulnerable by failing to enable businesses to respond quickly to market changes.

Half of organizations can't find value in finance systems beyond the traditional transaction processing and reporting. But we know from previous surveys that finance is the heart of business, with insight that can benefit every aspect of the business, if only this insight can be accessed. Almost half of companies are tied to legacy systems, either by choice or the inability to find a way to migrate away from them.

Even if finance systems are to be upgraded, ignorance is still holding them back. 30% of CFOs say they don't have a good understanding of the solutions in the market and 40% are struggling to understand the different technologies available. And of course, 57% site the cost as too high to make the change, and struggle to justify a significant investment in finance systems. This ignores the key cost benefits of improved systems (time and labor), but also the intangible value of empowering CFOs to contribute strategically, and the insight that will make the company agile and more competitive.

What does the future look like?

Many companies are woefully unprepared for facing the future in finance. There is substantial interest in being part of finance transformation, but far less impetus to tackle the actual problem of legacy systems. Digital skills are missing in finance, holding them back from embracing change, and finance is at risk of becoming outdated and falling further behind.

If, and when, change comes, CFOs know they want analytical tools built into their finance systems, which is tacit recognition of the insight finance can add when it has the means. They also want finance systems that can respond to organizational change, flexing the data and processing requirements to the changing needs of the business, and a consistent user experience for their employees.

CFOs are also demanding more from the systems they install, with almost half expecting their investment to last longer than before. They want to change software vendors less frequently and consolidate the number of vendors they work with. 81% are looking to the cloud to make the changes they need to the finance function. Luckily this is the area of technology they know the most about.

Approaching change

In the face of rampant change only half of organizations have plans in place to replace their finance systems in the next three years – 10% rarely discuss finance change, and 42% discuss it but haven't added it onto their strategic calendar.

For those that recognize the importance of finance systems that are fit for the digital age, 88% said process standardization and automation is the most compelling reason to replace aging systems. And when it happens, half will look for a hybrid approach, sitting somewhere in between a completely integrated suite and multiple best-of-breed applications.

Knowledge is power when CFOs are spending substantial resources to overhaul their systems so they need to know the market to get the best products. CFOs felt they knew the least about corporate performance management software and disclosure management, while they were most comfortable with the ERP market.

Whatever the suite or application, only 8% said they did not intend to invest in cloud technology, a resounding endorsement of what has become the ubiquitous software platform of choice.

Is there a lining to the cloud?

Having accepted the cloud as the future, just over half of CFOs expect to have the majority of their systems in the cloud within five years and 29% expect it all to be in the cloud by then. Just 17% said the cloud had failed to deliver on the benefits they were expecting. Those that gained the expected benefits achieved scalability (of users, data volumes and processing power), they saved time on systems maintenance and backups, and gained business agility.

Even though CFOs felt they were well-informed about the cloud, the survey showed a dearth of knowledge about benchmarking in the cloud, despite the potential benefits it can provide. 59% said they didn't know enough about the service, which aggregates anonymized data from the substantial number of cloud users of a system, analyzing and finding key performance patterns which can be used to benchmark internally or externally. Despite this lack of understanding, half said they would welcome the opportunity to use anonymized data to benchmark comparative financial and operational performance, and 36% would be willing to pay for it.

Size, does it matter?

Company size makes a difference to what businesses require of their finance systems, but the need to update obsolete legacy is universal. In some aspects of the future of finance systems size doesn't matter, like how demanding they are of the software, the expectation of getting more from their systems, and the concern about the digital skills gap.

But small companies are more likely to have fewer plans to change, despite being more exposed to challengers in the market, where they recognize that this competitive pressure will ultimately force them to update and upgrade their systems. They also couldn't get funding for finance projects and they had too little time to devote to systems change.

Finance functions in mid-sized companies struggled to get recognition for anything other than core finance tasks, although they didn't face as much difficulty in making the business case for change.

Large organizations meanwhile were more likely to have a properly developed strategy for finance transformation, but they were most concerned about the technical risk of migration.

Finance system change is inevitable. The longer companies delay replacing their legacy systems the more at risk they are from obsolescence. CFOs and senior finance executives need to find the time to explore their options to make informed decisions, and use this knowledge to make a compelling case for finance system change. A bad workman blames his tools, a good workman ensures he has the right tools for the job.

Chapter 1

The Current State of Finance Systems

Current state of finance systems

The finance function is in a state of flux, teetering between traditional inefficient number-crunching and strategic business leadership driven by technological advancements. In this vortex of change, finance systems are failing to support the changing role of the CFO and the strategic direction finance is moving towards.

74% *of CFOs say their finance systems support the finance function in the traditional role of financial stewardship, regulatory compliance and control.*

A company's finance systems should be underpinning the emerging role of the CFO as strategist and business partner. The systems should be adaptable and agile enough to enable the business to respond speedily to market changes. This is crucial because well-financed start-ups are disrupting whole industries and technology is enabling competitors to deliver faster, better services. Unfortunately, finance systems that add value and strategic insight are not the norm.

The basics are there, with three quarters of respondents saying their finance systems support the traditional role of financial stewardship, regulatory compliance and control. But even now, only half of systems provide the information needed for CFOs to play an active role as board advisor and strategist. This is the bare minimum any finance system should be providing, and only 53% can do that.

53% *of CFOs say their finance systems provide the information they need to play an active role as board advisor and strategist.*

Less than half (42%) have finance systems that enable CFOs and senior finance executives to be effective business partners, only 31% provide a quick and dependable platform for decision-making, and just 29% allow companies to accurately predict performance. Less than a quarter can use their finance systems to respond speedily to market changes. The limitations of their finance system means companies are on the back foot in a competitive market place, and it could have a significant impact on their prospects for the future. So why is it so hard to make the changes?

Low Expectations

Changing finance systems to be able to support the new generation of strategic change-focused CFOs requires support and cooperation from across the organization. But this support is not forthcoming often enough. Boardroom colleagues, from chief executives to tech heads, marketers to sales, mostly value finance systems for their accounting tasks, like transaction processing, compliance, tax and control. These basic, baseline requirements will always be needed, but they won't add the real value that CFOs know they can bring to the boardroom.

According to the survey, half of CFOs say their colleagues in the boardroom expect finance systems to primarily save on costs and improve efficiency, while a similar percent think finance systems benefit finance but not the whole organization. There are at least half who do regard finance systems as strategically important to be able to deliver competitive insights. But convincing the board to prioritize finance system investment can be a hard job, so if only half actually see value in the insight from an intelligent finance system, there will be many more battles in the boardroom.

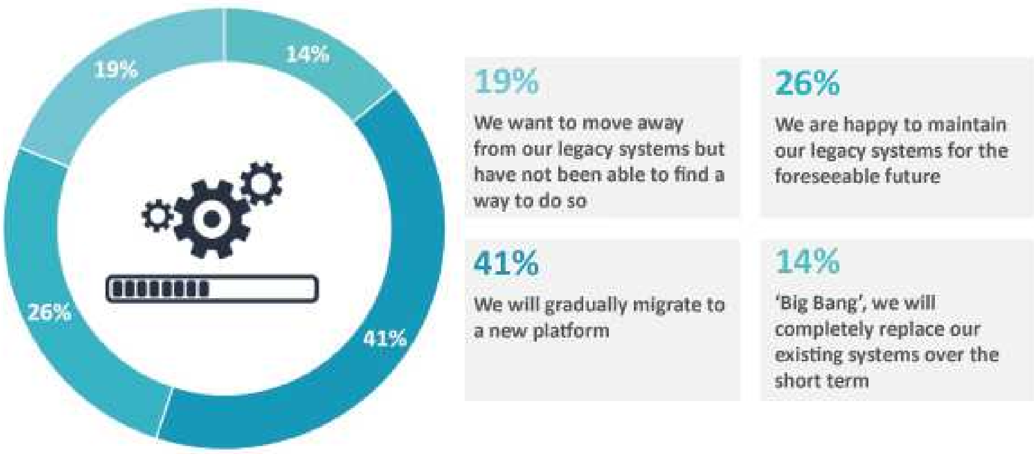
Lasting legacy

Legacy systems are still prolific in organizations worldwide, despite technology offering up a smorgasbord of efficient, connected, intelligent software for the finance ecosystem. 45% of respondents said they plan to retain their legacy systems either out of choice (26%) or because they are unable to find a way to migrate from them (19%). Of the rest who are planning to replace their legacy systems, 41% will do it in a phased manner, while 14% plan on a 'big bang', replacing everything over the short term.

Obviously finance systems aren't homogeneous. Different tasks, which historically have been performed using different legacy systems, need to be replaced, but the timeline is different for each. Of the projects recently started or completed, reporting systems were the most prolific (42%), while ERP systems were in the pipeline or completed by 39% of respondents. Both these systems are logical starting points for a finance system overhaul because they are already highly structured systems which require the data to be centralized and codified. With the volume of data being generated by organizations today, a central repository is a necessity, and forms the foundation from which other insightful processes can be mined.

This may be why business intelligence lagged the top performer by 8%. Just 34% of organizations are currently investing in BI systems and more than a quarter say they have no plans to invest there.

What is the status of your legacy systems?



45% **of organizations will retain their existing legacy systems either out of choice or because they are unable to find away to migrate from them**

Knowing the market

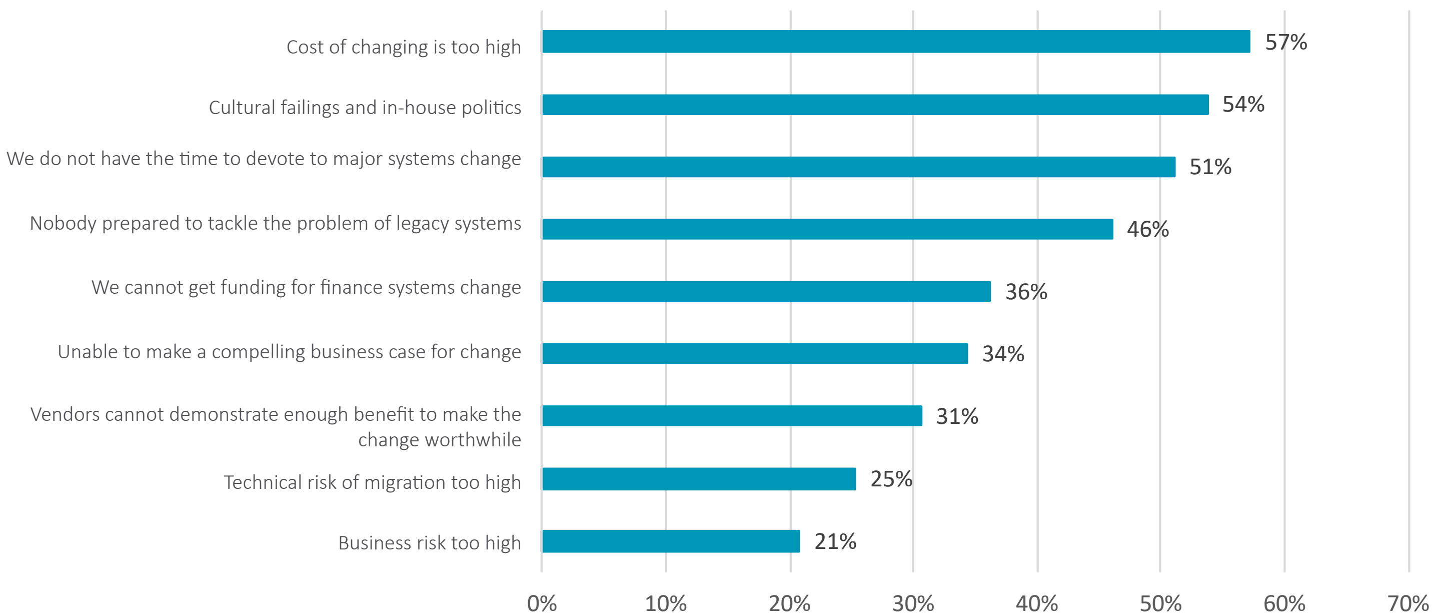
The finance systems market is a busy one, and the pace of technological change means a constant stream of new products, which can muddy the waters for executives looking to update their systems. Almost 30% of respondents said the finance function doesn't have a good understanding of the solutions in the market, and 40% struggle with the technology available. This is compounded by a lack of time to spend on researching their options, with 45% too busy to investigate the best solutions.

Even if senior finance executives can make sense of the available solutions, there are substantial stumbling blocks holding them back, the most commonly cited (57%) being the cost of changing finance systems. Considering half of organizations fail to find additional value in finance systems, and 65% primarily value those systems for transaction processing, its small wonder finance is still struggling to justify significant investment in finance systems.

Where investment is lagging is in the sort of finance systems that can add strategic insight, like Business Intelligence and CPM. With just basic transactional systems and little in the way of insight generation, finance will always be seen as a cost center, rather than a function that adds value to the business.

The second most common stumbling block to a finance system change (54%) is the issue of cultural failings and in-house politics. This may reflect the issue of finance being viewed as a necessary but not strategic back office function, while investment and interest flows to customer facing systems, which is often a politically stronger force within the business. This also would affect the 51% who said they had no time to devote to a major system change. Marketing and sales systems have taken priority previously, and if finance is not valued enough, time can't be allocated to it.

What are the main stumbling blocks to finance systems change?



Worryingly, 46% said there wasn't anyone prepared to take on the problem of legacy systems, which brings up the question of ownership and who should be spearheading a finance system change. The CFO? The CTO? This could also be part of the problem for the 40% who say they don't understand the technologies available to them.

Some of the stumbling blocks to finance system change seem perfectly reasonable. Time, cost and cultural failings are issues faced by any executive trying to get their voice heard in the scramble for resources. But they overlook the potential benefits of investing in better finance systems – time saved, cost saved and a new culture of partnership that would create significant value and improve competitiveness in a crowded and changing market.

Chapter 2

Digital Outlook – what the future holds for finance systems

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The history of finance transformation is littered with memories of cost overruns, late delivery and underwhelming results. But these embattled projects of the 1990s and 2000s clearly haven't tainted the appetite for new projects, which these days are far better planned and executed. In fact, 84% of survey respondents said they would relish the opportunity to lead or be part of an impactful finance transformation project.

Still, this is at odds with the almost half of CFOs who say no one is prepared to tackle their legacy system problem. It may be that replacing legacy systems is not viewed as transformative, and the projects CFOs really relish are entire system overhauls that sweep away the old and splash out on the new. But legacy replacement can be just as transformative and far less intrusive with the cloud options available today. Or perhaps CFOs want to be part of, but not lead a transformation project.

Almost 50% of CFOs are ambitious enough to leave their organization to become more involved in digital innovation in the finance function, and another half would like to be more innovative but rarely get the time, funding or support to invest in finance process innovation. Very few are worried about project failure (9%), which implies the main issue that personally affects CFOs is time, not risk.

The Skills Gap

Considering the finance function revolution has been going on for over a decade, the digital skills required to support digitization are woefully inadequate, and its holding 42% of CFOs back from making the necessary changes to their finance systems. This only increases the risk of the finance function becoming outdated and falling further behind.

Worse still, 59% of organizations don't have a recruitment plan in place to support digital transformation in the finance function. Nor do they have a training and development plan to tackle the issue.

Meanwhile a third of respondents don't think finance systems are an attractive place for the best tech-savvy talent, which may go some way to explaining why they're not trying very hard to attract that talent. If an organization is operating on legacy finance systems and getting by enough to ignore the skills gap, when digitization comes, and it will come to their corner of the finance function, they'll be scrambling for tech-savvy talent that's in short supply.

The shape of future finance systems

When the decision is made to change finance systems, there must be a clear expectation for what will come out of the change. The most important characteristic according to 63% of survey respondents is for finance systems to have in-built analytical tools. This will enable them to improve their insight and take a step up from transactional processing to something that adds more value.

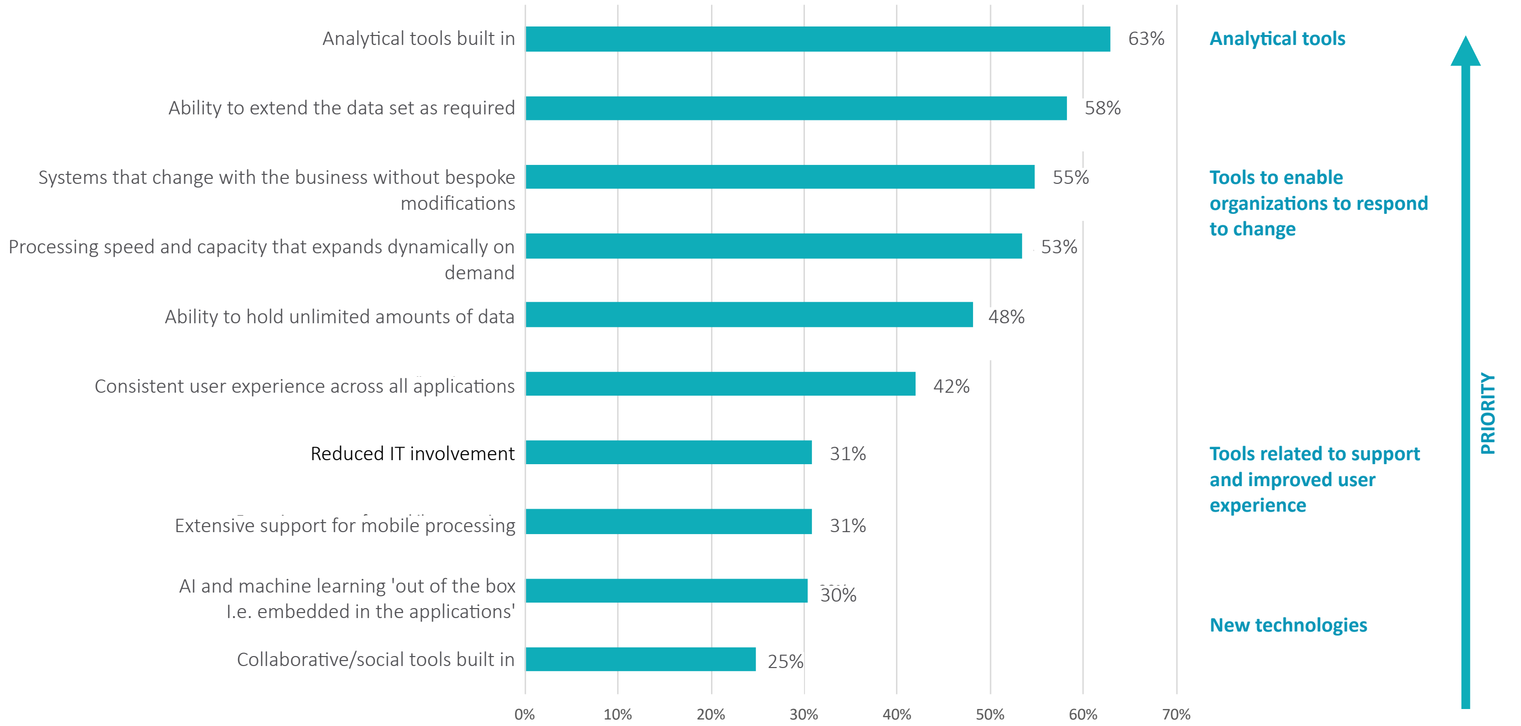
The next most important characteristics all relate to the finance system's ability to respond to organizational change. This includes being able to extend data sets according to 58% of respondents, and enabling change without bespoke modification which was central to 55% of senior finance executives. 54% felt that processing speed and capacity should be able to expand dynamically on demand, and 48% viewed the ability to hold unlimited amounts of data as an important characteristic of any future finance system.

It's clear from the focus on agile data management that CFOs recognize the direction of travel within finance systems. They want to be able to adapt the systems without calling in a team of tech specialists, and they want to be able to flex the data, speed and capacity to suit their own needs.

User experience followed, with 42% requiring a consistent user experience across all applications in the finance system of the future. This is happening already in the consumer space, with most applications becoming much more intuitive with a seamless user experience. But applications in finance systems also need to be consistent in the process as well, so users can operate and manipulate all different finance systems consistently.

Artificial Intelligence and machine learning, as well as collaborative or social tools were the lowest priority on CFOs future finance system 'shopping list'. Realistically they recognize that these are going to grow in popularity and necessity, but it's still early in the evolution and they prefer to focus on immediate needs.

What are the most important characteristics for future finance systems?



51% *of CFOs say they will be working with fewer vendors in the future*

Change for the better

Making a substantial investment in new finance systems, CFOs should be expecting more from their new assets. Half expect their investment to last longer than before, 47% expect to have to change software vendors less frequently in the future, and 51% think they will be working with fewer vendors in the future. 72% see investment going mainly to cloud products. The reliance on fewer vendors and longer service life for their systems means senior finance executives need to research and understand the market and the products before making their decisions.

Technology for change

In one short decade, the cloud has completely changed the IT services landscape, so it won't come as a surprise that 81% of organizations are looking to the cloud to change the finance function. CFOs also know the most about the cloud as a technology of the finance function future.

Meanwhile just over two thirds of CFOs believe that robotic process automation, AI and machine learning will also play a big role in transforming the finance function. They clearly see a decisive role for these new technologies in the future of the finance function, but not necessarily their finance systems. Only 30% of CFOs rated AI as one of the most important characteristics for their future finance systems.

There was a similar anomaly between the idea of mobile processing and the reality of it in finance systems. 58% believe mobile processing will change the finance function but only 31% rated extensive support for mobile processing as one of the most important characteristics of their future finance systems.

Benchmarking in the cloud, where performance metrics are extracted from large cloud-based data sets, was also considered to have significant influence over the finance system of the future. 56% are convinced it will change the finance function, although 29% are undecided. The uncertainty may stem from security concerns about process data being anonymized and analyzed to spot trends and best practices.

Almost half of CFOs believe digital assistants will be part of the changing scope of finance systems, although 10% don't understand the technology and 32% remain unconvinced. Lesser understood technologies include natural language processing which is not understood by 17% of respondents, and blockchain, which has 14% stymied.

The CFOs vision for the future of finance systems is somewhat at odds with what they want their own systems to be able to perform. It's a future with robotic process automation, mobile-ready applications, digital assistants and easily benchmarked data from the cloud. But their own future looks more simplistic, with built-in analytical tools, a flexible data management system and a consistent user experience. It seems CFOs are learning to walk before they run.

Chapter 3

Approaching change

Approaching change

Change is the only constant in life, and changing finance systems is inevitable if companies want to remain viable in the current competitive climate. If it hasn't happened already, it will have to happen at some point, so how are organizations approaching change?

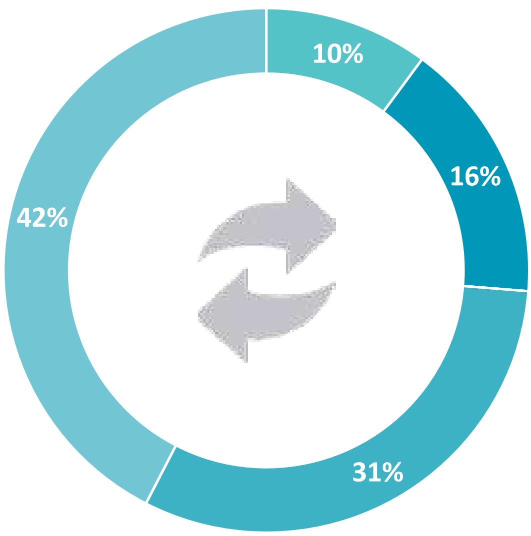
Worryingly, just over half of organizations have no plans to replace their finance systems over the next three years. This includes 10% who rarely discuss finance system change and have no plans, as well as 42% who regularly discuss the issue but have no formal plans in place for the replacement of their finance systems.

The issue here is that changing finance systems is a multi-year process, so if there are no plans at all now, these ill-prepared organizations will be many years behind their competitors when they finally start to overhaul their systems. Ultimately finance transformation must be built into the corporate strategy, even if the decision is made to delay any projects for some years down the line. At least in that situation the plan is in place, and can be prepared for accordingly. With no plans at all, companies are risking their competitiveness when they are pitted against rivals with finance systems that enable them to respond to organizational and market changes quickly and effectively.

On a positive note, 31% of organizations have a fully developed strategy for finance transformation for at least the next three years, and are fully involved in the digital transformation of the entire company. The remaining 16% also have a finance transformation strategy, but it is more limited in scope and focuses on the finance function only rather than the entire company. While this is still better than no plan at all, being able to link finance transformation into the wider organization is vital for companies who want to respond to market changes. It encourages collaboration, strategic integration and business partnerships, adding knowledge and insight that will benefit the business.

Which statement best characterizes your finance function's approach to systems change?

Just over half of organizations have no plans in place to replace their finance systems over the next 3 years.



42%

COMPLACENT: We regularly discuss changes but have no formal plans for the replacement of finance systems

16%

PREPARED: We have a fully developed strategy for finance transformation for at least the next 3 years and are focused on the finance function only

10%

UNENGAGED: We rarely discuss finance systems change and have no plans for change

31%

FULLY PREPARED: We have a fully developed strategy for finance transformation for at least the next 3 years and are fully involved in the digital transformation of the whole enterprise

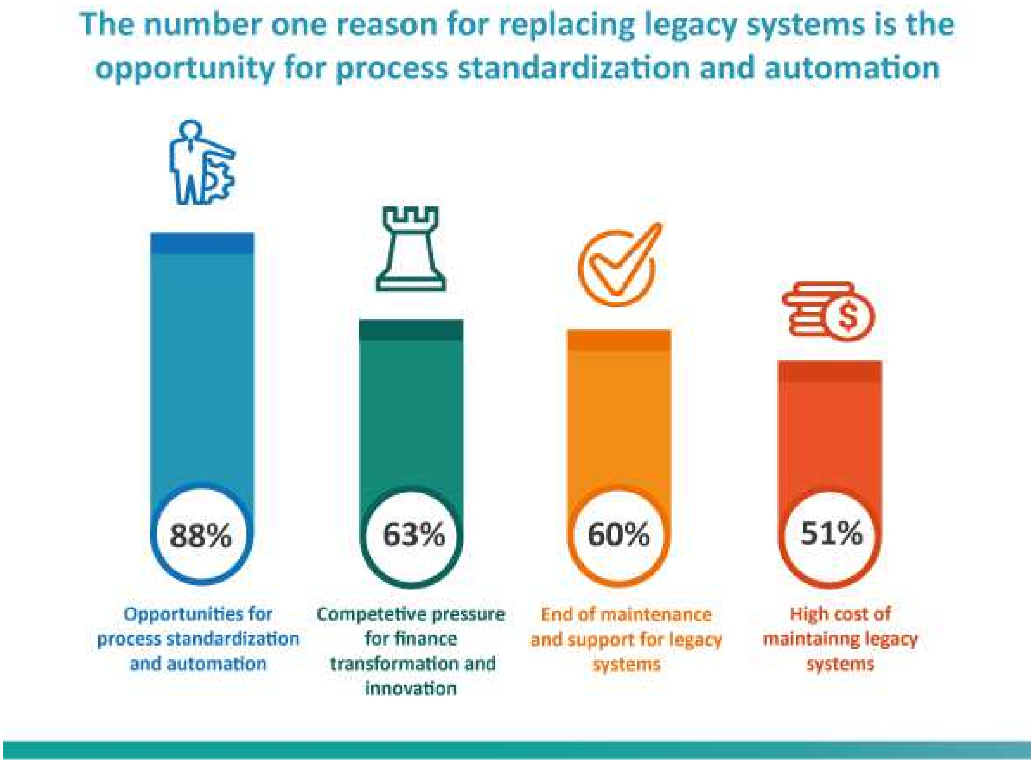
Driving the change

Different companies are at different stages of their journey from a traditional finance function to a strategic digital partner in the business. This means the impetus to change comes from different places too. 88% of respondents said the main driver for replacing their current systems would be opportunities for process standardization and automation. This is really the baseline from which CFOs can start their journey, indicating that most companies are at the start of their transformation, setting the foundations on which to build a strategic digital finance function.

The second key driver which was important for 63% of CFOs was competitive pressure and the need to use finance transformation to innovate and stay agile and current. This is the next stage in the finance evolution, when new technologies build on standardized processes to add strategic insight and value.

Strategic change is clearly the key driver of change, but on a more practical level, the end of maintenance and support for legacy systems would be the crunch point for 60% of respondents. And the high cost of maintaining legacy systems was a compelling reason to replace old systems for around half of CFOs.

What would be the main driver for replacing your current systems?



Best of Breed or Integrated Suite?

The finance function requires a wide range of systems to operate. These include Enterprise Resource Planning systems that address the transactional side, reporting systems and disclosure management to coordinate both external and internal reporting requirements, business intelligence, and budgeting, planning and forecasting to provide insight and foresight for the future of the business.

All are required to run a finance function effectively, and ultimately all legacy systems will need to be replaced. The options for change include a best of breed approach which selects the application which is best for each job, a unified environment, where all related applications come from one software vendor, and a hybrid approach which combines the two. Half of CFOs prefer the latter, enabling them to consolidate certain aspects of the finance function into a unified single vendor environment, while retaining the ability to select niche areas to run best of breed systems.

22% said their prefer to knit together an entirely best of breed selection of systems, while 27% would prefer one vendor, one user experience and a natively unified environment.

None are right or wrong, but work for each organization depending on their needs.

What is your attitude to the large suite of applications?

Just over half of organizations are looking towards a hybrid approach -best of breed and integrated suites, for the foreseeable future.

51%

We will use a **hybrid approach** of best of breed and integrated suites, for the foreseeable future

27%

We prefer a **unified environment** (integrated suite) with all related applications from one software vendor.

22%

We prefer a **'best of breed'** approach, i.e. selecting the application that is best for the job

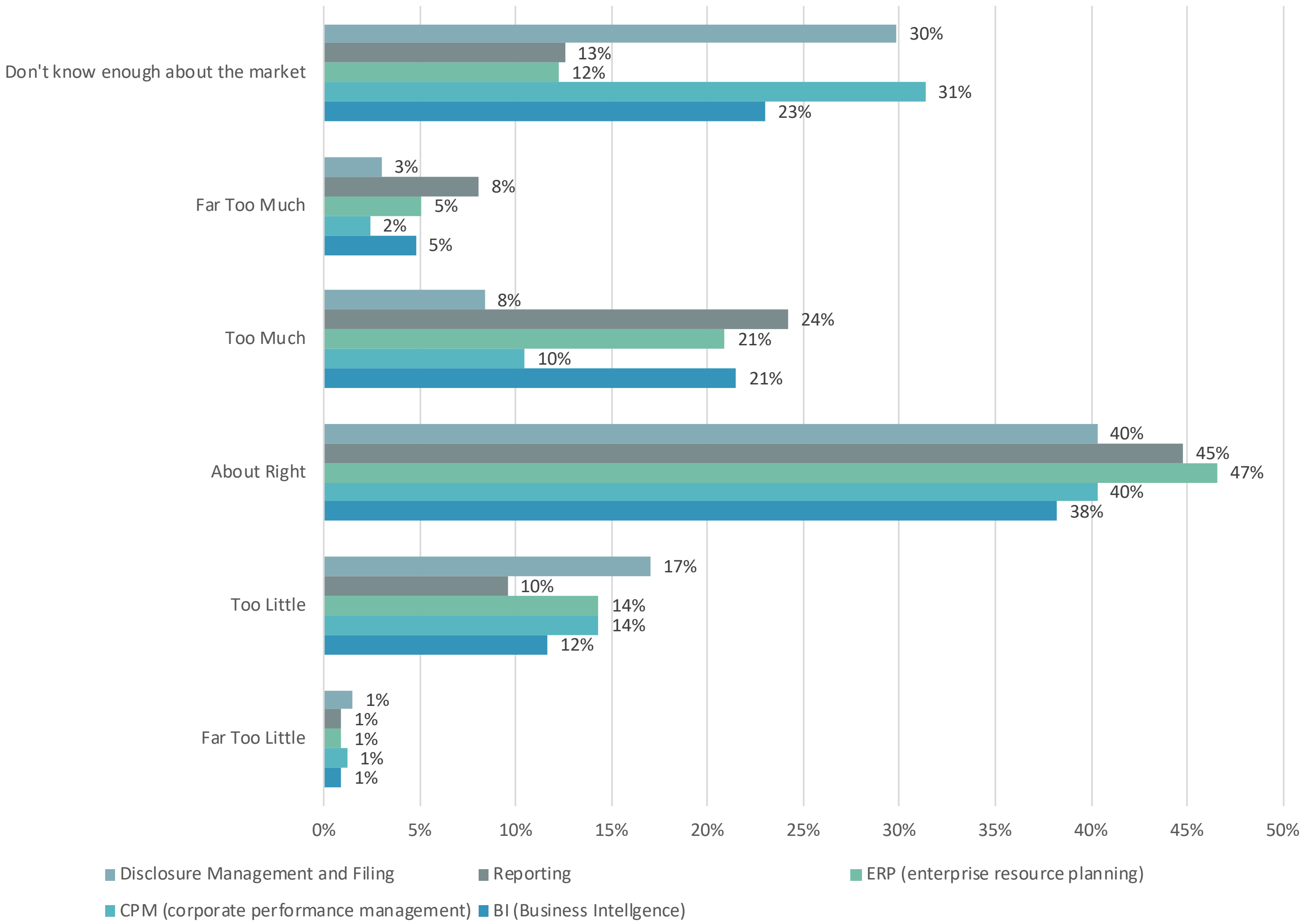
Software Choice

When it comes to changing finance systems, not all systems are well understood, and in some areas, there is too much choice in the market which can make the process of selection much more difficult. CFOs felt they knew the least about the corporate performance management market and disclosure markets respectively (31% and 30%), while business intelligence came third with 23% of survey respondents not knowing enough about the market for these systems.

CFOs were the most comfortable with the ERP market, with 47% saying there was the right amount of choice available and just 12% saying they didn't know enough about the ERP market.

The same couldn't be said for the reporting market, which offers too much or far too much choice for 32% of senior finance executives, this compares with just over a quarter of respondents who found the business intelligence market overcrowded.

Do you think there is there enough market choice?



Clouding over

Cloud is the most likely platform for new finance technology to be implemented on, with only 8% choosing not to invest in cloud technology. A quarter said they are likely to use mostly the 'public cloud' like shared or multi-tenanted software, while a third expect to mostly use the 'private cloud' where their data is hosted in their own cloud environment. The remaining 35% are focused on a hybrid approach with both public and private cloud usage.

Using the public cloud enables automatic updates and improvements, but often these aren't bespoke, and there is a lingering concern about security. Private cloud may eliminate the security risk but it is more costly and may affect the agility of the system.

Organizations who have slipped behind their competitors in bringing their finance functions into the digital age will inevitably suffer. They will spend more on carrying out tasks that others have already automated, find their processes inconsistent because of a lack of standardization, and they will have far less insight about the market and ability to change with the needs of their customers. Putting change on the agenda and driving it forward is the imperative of every senior finance executive.

Chapter 4

Head in the cloud

Head in the cloud

How important is cloud computing to your future systems plans?

With cloud computing becoming almost ubiquitous in just a decade, how long should companies expect the migration of their finance systems into the cloud to take? For those that intend to incorporate cloud solutions into their suite, just over half expect to have the majority of their systems in the cloud over the next 5 years, 29% expect to have it ALL in the cloud within 5 years, and 20% say only a minority of their applications will be cloud based in this time frame.

The move to cloud-based systems hasn't been everything they'd hoped for 17% of CFOs who said the cloud had failed to deliver on the benefits they were expecting. It's a small percentage of unhappy customers compared to the 82% who said cloud has given them scalability. This includes scaling up the number of users on the platform, the volume of data being processed or analyzed and the amount of processing power required as the business cycles through different phases.

***81%** of CFOs say the cloud had saved them time by reducing systems maintenance and backups.*

In addition, 81% said the cloud had saved them time by reducing systems maintenance and backups. This is a key advantage to cloud software, which can be upgraded and updated virtually and automatically for tasks that would previously have involved manpower and man hours.

Three quarters of CFOs said the cloud had enabled the business to operate more agilely, for example with better accessibility and easier implementation.

While cloud security was a sticking point when the technology was still nascent, now 71% are satisfied with the security of the cloud, and 67% said moving applications into the cloud had saved them money. 59% also said they improved their processes when they moved their finance applications into the cloud, which is heartening since this was one of the most important drivers of change in the first place. 88% of respondents said process standardization and automation was the most compelling reason for replacing current systems.

The majority (65%) believe that all the best developments are happening in the cloud rather than on-premise, which is noticeable by the sheer volume of new products and software offerings that are available only in the cloud. In some circumstances there are innovations that are dependent on the cloud, like cloud benchmarking.

Cloud benchmarking takes the combined wealth of data generated by users of cloud software, and aggregates and analyses it anonymously to produce benchmarking key performance indicators that can be used to measure performance.

The benefits of having such a large volume of comparison data, which before the cloud would be inaccessible in on-premise computer systems, are substantial. Benchmarks can be created for the market relevant data like profitability or staffing levels, or the efficiency and usage patterns of operational systems. So, a company's efficiency of close process may be compared with another that can do it faster and more accurately, and suggestions for improvements made.

This by product of the cloud computing revolution is not very well established. For one it requires the permission of the cloud users themselves, who may be skeptical of the perceived privacy and anonymity risks to their data. But another sticking point is that 59% of senior finance executives just don't know enough about it or its availability to want to build it into their own finance system plans.

That said, more than half said they would welcome the opportunity to use anonymized data to benchmark both the financial performance of their business along with the operational performance of the finance systems they use.

And 36% went so far as to say they would pay for such a service. However, it is clear that many still do not understand what 'benchmarking in the Cloud' entails nor the benefits it could bring.

Chapter 5

Size, does it matter?

Size, does it matter?

Company size makes some difference to where an organization is on their finance systems journey, but there are also similarities amongst all businesses when it comes to finance transformation.

Large, medium and small-sized companies are evenly spread on whether to maintain or replace their legacy systems, as well as whether to replace them piece-meal or in one 'big bang'. Although larger organizations were marginally less inclined to say they would be 'happy to maintain their legacy systems for the foreseeable future'. All companies are being more demanding with their software too, and expect to get more from their systems going forward, but they also all recognize there is a growing skills gap.

That said, there are other areas of finance system change where size makes a difference.

42% *small organizations found it challenging to get funding for finance system change, where only 28% of medium-sized companies and 35% of large companies faced those constraints.*

Smaller organizations are more inclined to say they rarely discuss finance systems change and have no plans in place. 16% of small businesses plan to muddle on with the current status quo compared with 6% of medium sized companies and 7% of large ones. But small companies are more exposed to challengers in the market, and more than 70% said competitive pressure and the need to use finance transformation to innovate and stay agile and current was a key driver of finance system change. This compares with 59% of mid-sized and 53% of large companies.

Considering the competitive pressure, it is worrying that 42% of small organizations found it challenging to get funding for finance system change, where only 28% of medium-sized companies and 35% of large companies faced those constraints. Another stumbling block was time, and it was more acute in 58% of small organizations which said they didn't have time to devote to systems change (vs 49% of mid-sized and 45% of large companies).

Mid-size organizations face different challenges. They were more likely to struggle with getting the rest of the organization to perceive their systems as adding value. Only 38% of mid-size organizations said they thought the rest of the board regarded their systems as strategically important, approximately 30% fewer than both the larger and smaller organizations. That said, CFOs recognized the need for system change and were less likely to say they struggle to make a business case for change or that they found the cost too high.

The technical risk of migration is a much bigger concern for larger organizations

Larger organizations were more likely to have a fully developed strategy for finance transformation over the next 3 years, either across the full enterprise (41%) or finance only (23%). But the technical risk of migration is a much bigger concern for larger organizations with 32% highlighting this as a stumbling block for finance systems change compared with 20% of mid-size and 25% of small companies.

The largest proportion of large organizations were likely to take a ‘best of breed’ approach with 41% preferring that option, whereas medium and small businesses were more inclined to want a unified environment.

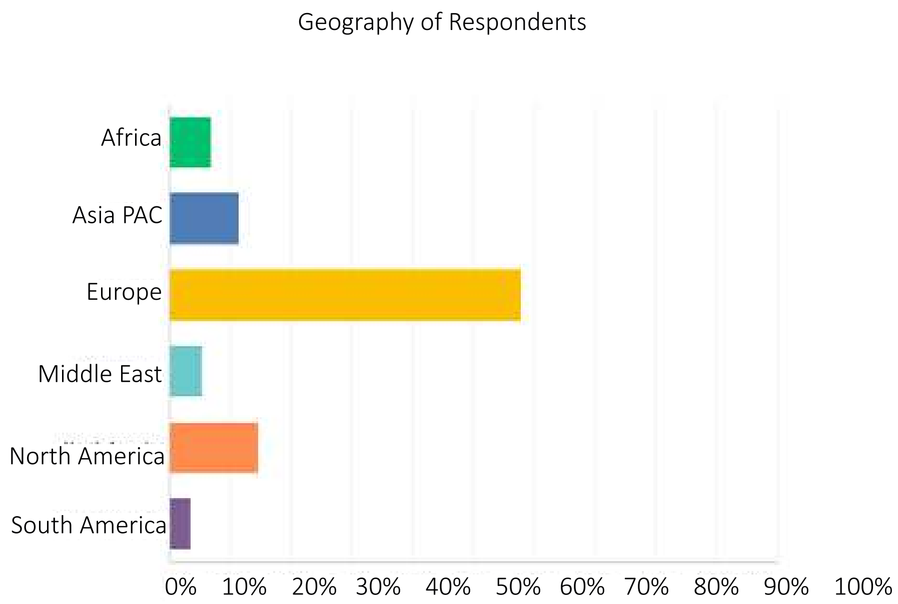
Size matters in some respects, but it shouldn’t be an excuse not to push the board to recognize the value of finance system change, and to ensure it is on the strategy calendar.

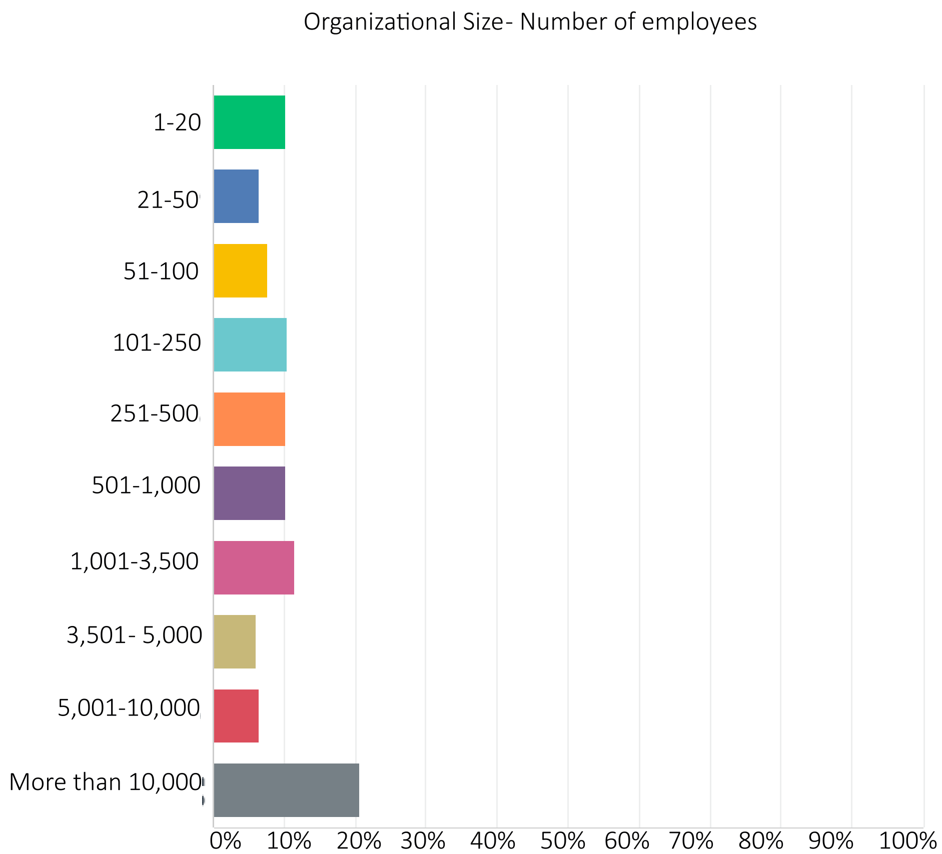
Methodology

METHODOLOGY

The survey drew responses from 532 international senior finance professionals from our 55,000 strong FSN Modern Finance Forum on LinkedIn.

This survey covered finance professionals across 23 different industries. 79% of these professionals were considered to have senior job titles and above.






Industry of Respondents
Aerospace & Defense
Automotive
Banking / Financial Services
Business Services / Consulting
Consumer Products
Education
Government (Federal, including Military)
Government (State, Local)
Health care
Hospitality / Leisure / Travel
Insurance
Manufacturing
Media & Entertainment
Non-profit
Oil and Gas / Mining / Energy
Pharmaceuticals / Life Sciences
Real Estate
Retail
Technology (Computers, Software)
Telecommunications
Transportation
Utilities
Other
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

ABOUT FSN

FSN is a global publisher of thought leadership, research and "must-have" content for CFOs and senior finance professionals around the world. FSN's highly popular and active Modern Finance Forum on LinkedIn has a membership of more than 51,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

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