The Finance Role in Best-Run Midsize Companies:
Improving Decision Making Using Intelligent Technologies
Finance Drives Insights and Guidance in Midsize Companies

Finance leaders play an important role in the digital transformation (DX) journey, helping their companies bring new value to their decisions with more insights and guidance. Digitally transformed finance teams use intelligent technologies to improve timely decision making, create repeatable operational process capabilities, and empower knowledge workers to engage in higher-value business activities.

Today’s disruptive business changes have implications for all parts of a company. Finance organizations find they must leverage much more data to gain necessary insights, which requires advanced technology and better process automation to get to the information quickly. Intelligent workflows enable them to synchronize data, streamline processes, and perform period-end closings faster.

Becoming an “intelligent enterprise” enables midsize firms to take advantage of advanced capabilities such as artificial intelligence and machine learning to gain competitive advantages. These technologies can be used for purposes such as analyzing historical sales order data to calculate future revenues and examining profit trends to find profitability impediments.
Midsize Companies Grouped Based on Key Performance Outcomes

IDC conducted a survey of 1,957 midsize companies (with 100-1,000 employees) worldwide to identify key factors associated with business success and progress toward becoming a best-run, digitally engaged company. The respondents were categorized into four groups based on their performance: laggards, survivors, strivers, and best-run. (For more details, please refer to the overview report: “Becoming a Best-Run Midsize Company.”)
Challenges Facing the Finance Organization

**Finance Organization Pain Points**
(Over the next 12 months)

- Inability to provide timely financial insight relevant to decision makers in other departments across the enterprise
- Too much time and resources spent on closing and reconciling activities
- Forecasting, understanding, and providing for financial needs of the organization
- Inability to put appropriate financial controls and practices in place to adequately run the business
- Developing and implementing appropriate financial models/reports to meet changing business needs (including merger and acquisition activity)
- Burden of using/managing legacy technology (including ease of access to necessary data)
- Lack of appropriate skills and talent (recruitment and retention)
- Insufficient funding or resources to meet management expectations

**Best-run finance organizations** are more focused on strategic aspects of the business such as relevant financial insight and developing financial models. They are looking to intelligent technology to deliver insights and value across the enterprise and to address changing business needs.

**Lagging financial organizations** are struggling to move beyond the basics of providing timely financial close and reconciliation processes, sourcing appropriately skilled resources, and putting adequate financial controls and processes in place.
Finance Has Specific Challenges Around Compliance and Reporting

Best-run companies make compliance and reporting a seamless experience while also mitigating risk by using intelligent technologies.

Best-run finance organizations have more control over the business and are able to place more focus on strategic areas.

They are using intelligent technologies to drive new opportunities to better identify compliance and other risks such as fraud anomalies, cyber threats, and unsatisfactory compliance reporting.

In contrast, laggards are struggling with costs, lack of automation, and lack of control over risk control processes.

- Inability to provide timely financial insight relevant to decision makers in other departments across company
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Priorities of Finance Leaders in Best-Run Companies

Best-run finance organizations are significantly more focused than laggards on growth and innovation by creating new revenue streams, improving business agility, and responding to competitive threats.

They do this by applying intelligent technologies toward a broad swath of digitization and business transformation initiatives such as: developing new business models; enabling customer-centric digital supply chains; and simplifying travel, expense, and spend management.
Pay significant attention to compliance. Strong compliance means organizations have less rogue spending, better spend management and control, reduced fraud and audit risk, and better insights across organizational spend.

Know that end-to-end organizational processes help enable quick analysis, accurate modeling, and intelligent decision making.

Apply real-time data insights into liquidity, payments, cash, and risk while modeling and predicting the future to help employees take action now.

Recognize that the use of intelligent enterprise technology enables improved process efficiency so employees can focus on value-added activities.
Technology Usage to Support Finance and Spend Management

Finance leaders in best-run companies know technology provides their businesses with competitive advantages. Unsurprisingly, they are more likely to use a range of technologies to support their operations.

Best-run finance teams **rely on their technology solutions** to enable better cashflow management, provide real-time insight into company performance, forecast more accurately, and mitigate risks.

They also have greater levels of automation in areas such as audit and compliance; vendor invoice processing; and travel, booking, and expense reporting. This enables staff to focus more on value-based activities than manual tasks.
Best-Run Finance Organizations Know Visibility Is Critical to Success

Rate visibility into company’s spending, forecasting, budgeting, and cash flow as “good” or “very good”

Best-run finance organizations know visibility is critical to their companies’ success. The ability to manage cashflow and working capital requires real-time insights into the company’s spend, budgets, forecasts, and monetary aspects.

They also rely on intelligent technologies to bring forward insights from operational data to improve overall operating performance.

Visibility creates the opportunity for real-time insights and guidance.
Data Is at the Core of the Business and Critical to Success

Finance plays a critical role in improving a company’s data literacy by providing governance around key performance indicators (KPIs).

- 84% of best-run finance organizations are working to **eliminate data silos and share insights across the company**. Using the same real-time data allows companies to make simultaneous data-driven decisions such as recognizing revenue, paying vendor invoices, and calculating positive cashflow and profitability.

- 55% of best-run finance organizations **use data to drive operational efficiency with reductions of workflow errors and cycle time**. Analyzing forecasts against actuals with simulations can help predict future trends, detect suspicious activities, and highlight policy compliance issues while applying audit trails to actual transactions and notifying employees of inaccuracies.

- 53% of best-run finance organizations **use data to improve customer service**. Better data insights can improve cash flow, increase working capital, reduce time-to-customer value, and boost repeat sales.
An Intelligent Enterprise Means Finance Organizations Become Best-Run

The finance organizations in best-run companies are “digitally determined” and centrally driven. They also use the most innovative technology, resulting in more timely insights and improved decision making.

- **Forty-six percent of companies worldwide are digitally determined**: i.e., they are making the strategic, organizational, technological, and financial decisions that set them up to digitally transform their companies over the next several years.

- **Finance leaders recognize that being centrally driven** requires real-time data visibility, continuous organizational audit and compliance, and current and future organizational metric insights.

- **The finance organizations in best-run companies benefit from intelligent technologies** as they enable a continuous close; bring more insights and better decisions for cash management and sales and operations planning; and improve the customer experience and compliance for travel, booking, and expense management.

Use of Technology by Best-Run Finance Teams

<table>
<thead>
<tr>
<th>Technology Type</th>
<th>% of Respondents</th>
</tr>
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<tbody>
<tr>
<td>Cognitive, artificial intelligence, and machine learning</td>
<td>54%</td>
</tr>
<tr>
<td>Advanced and predictive analytics</td>
<td>50%</td>
</tr>
<tr>
<td>Communication technologies such as telephony, video conferencing, and unified communications</td>
<td>40%</td>
</tr>
<tr>
<td>Collaborative software</td>
<td>30%</td>
</tr>
<tr>
<td>Cloud services (managed cloud, SaaS, and security connectivity)</td>
<td>20%</td>
</tr>
<tr>
<td>ERP systems</td>
<td>10%</td>
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</tbody>
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The Finance Role in Becoming a Best-Run Company

Challenges to Becoming Best-Run

- Opposition to new, disruptive technologies that can provide our business with competitive advantages
- Inability to model and predict with better insights to deliver better outcomes
- Inability to deliver on customer requirements in a timely manner

The Finance Role in Driving a Best-Run Business

- Optimize resources to ensure the best outcome
- Ensure organization is investing sufficiently in initiatives to be a best-run enterprise
- Empower staff to do whatever is necessary to ensure customer satisfaction

Finance executives know that, to be best-run, they must help businesses to:

- **Align** around the right infrastructure and applications for competitive advantage
- **Optimize** resources, relying on technology to achieve best outcomes
- **Focus** on customer satisfaction
- **Empower** employees to take positive action by guiding them with real-time insights
Recommendations for the Finance Executive

Finance plays a significant and critical role in making a business a best-run company. Providing real-time insights and guidance is what the CFO and her or his financial team do best when they have the right technology, business processes, and people. Becoming a best-run company requires investment in developing higher-level enterprise intelligence and thorough evaluation of associated people, technologies, and practices. IDC recommends finance organizations in midsize companies focus on the following:

**Best-run finance.** Becoming best-run requires an honest and thorough view of your current business. Addressing resource problems of employee skill levels, manual business processes, data silos, and too little automation enables finance to shift resources from people to technology for non-value-added, manual processes. Error reduction, efficiency gains, and visibility across the business are the results.

**Digital transformation.** Digital transformation is a journey that requires an emphasis on digital workflows that optimize business processes across the organization. Digital financial workflows such as continuous close, real-time operational performance monitoring, real-time cash position, and continuous audit and compliance optimize the entire business’ processes, enabling the enterprise with a 24/7 intelligent technology resource.

**Strengthened digital cores.** Best-run and digitally transformed finance organizations recognize they must have strong digital cores focused solely on making their businesses best in class. A strong revenue recognition capability and the ability to manage cash, book travel easily, and manage compliance are definite assets.

**Empowerment with data.** For finance, data is the key to timeliness, accuracy, and insight. Employees gain more insights and improve decision making when the data is tied to business processes. Machine learning and artificial intelligence turn the data into information that empowers employees to improve decision-making capabilities.

**Investment in modern technology.** Intelligent technology provides greater visibility into spend. This enables real-time views of forecasts, budgets, and performance, and helps identify and mitigate risk before the business is affected.

Being “best-run” is not a destination, but a journey — one that will help you sharpen business processes and improve your competitive position.
Methodology

Findings for this InfoBrief are based on an IDC September 2018 study of business and IT leaders in midsize companies around the world.

For this study, IDC surveyed 1,957 executives with decision-making or recommending authority for IT solutions and services. Respondents were located in 13 countries across North America, Europe, and Asia/Pacific and spanned a broad mix of industries.

The respondents included 396 finance executives with decision-making responsibility for purchasing finance technology and services. Of these, 73% are acutely aware of IT acquisitions, and 19% are the business decision makers for technology purchases. All finance survey participants hold positions of director or higher.

For each respondent, IDC collected business KPIs including revenue growth, profitability, customer satisfaction, and employee productivity. IDC analyzed the correlations between these business success metrics and respondent IT policies and behaviors to determine best practices for IT digital transformation, which provided the basis for determining the four intelligent enterprise maturity categories.
Sponsor Statement

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SAP applications and services enable more than 250,000 small and midsize companies to operate profitably, adapt continuously, and grow sustainably. SAP provides pre-integrated software components with embedded intelligence, enabling companies to stay lean, automate, optimize, and become best-run businesses. Our solutions are designed to deliver value right away and to scale for future growth.

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