

# DIGITAL CFO

## RESULTS OF THE OLIVER WYMAN STUDY

MUNICH, JUNE 2017



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# THE DIGITAL CFO STUDY

An analysis of the impact of digitalization on the finance function, based on a survey of 68 finance managers in Germany, Austria and Switzerland

## THE DIGITAL CFO STUDY



## BACKGROUND

- Digitalization is one of the dominating technologies and business challenges
- 68 managers of the finance function of corporates in Germany, Austria and Switzerland took part in the online survey
- An analysis was conducted on the status quo and the impacts of digitalization on process quality, efficiency and major fields of action

# MANAGEMENT SUMMARY

## Key findings

Digitalization offers great opportunities for the development of the finance function – using better instruments can lead to process efficiencies within planning, reporting and risk management and increase value contribution through higher quality services for the whole corporation

Change will be more evolutionary than disruptive and implications can not yet be seen in practice. Many instruments already exist and the finance function needs to address the right topics in a decisive and focused manner in order to be successfully prepared for the future

The finance function especially has to develop its competencies in order to successfully shape the change – the biggest opportunities are to be found in handling big data and in the interconnection with other functional departments

# STUDY APPROACH

Analysis of the impact of digitalization on the finance function based on a survey of 68 finance managers in Germany, Austria and Switzerland

## 1

### STATUS QUO

What is the **current state** of finance functions today, and how far has digitalization found its way into business practice?



## 2

### QUALITY AND EFFICIENCY

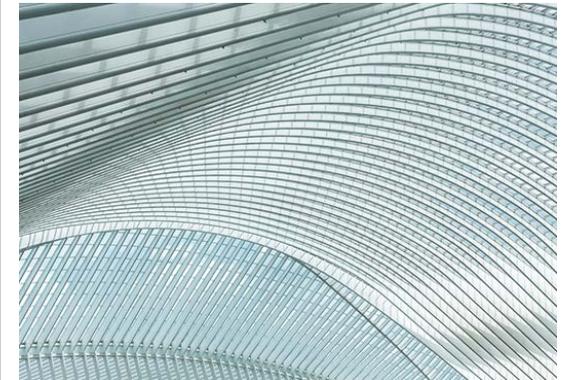
How will the **value contribution** of the finance function change and which changes will increase process quality?



## 3

### MAJOR FIELDS OF ACTION

What are the **challenges** that the finance function must address? How can the change be shaped?



# THE SURVEY

Selected managers within finance departments took part in the online survey

Largely senior managers in large corporates took part in our online survey on the status quo and the development of digitalization within the finance function. The survey was conducted from February to April 2017.

Almost a quarter of respondents were CFOs, more than one-third were vice presidents and division managers, another third were executive employees in finance functions. The survey of these 68 managers and experts provides a top-down view on the status quo of digitalization within the finance function and the expectations for further development.

# 1 STATUS QUO

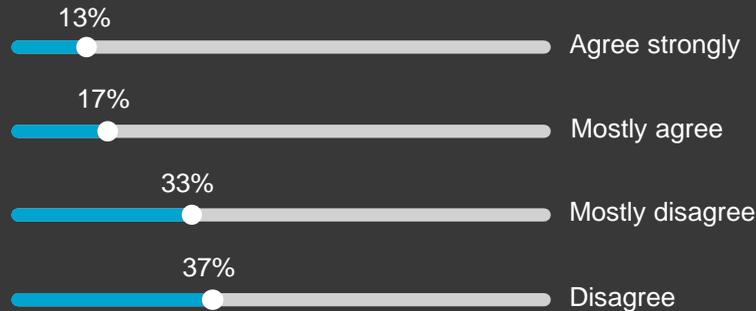
What is the current state of finance functions today, and how far has digitalization found its way into business practice?



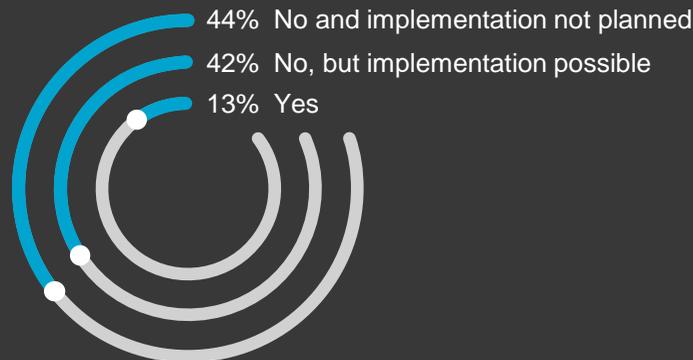
# 1 STATUS QUO

Only 30% of respondents see improvements in the planning process over the past 5 years – average duration of planning process is four months

Do you see significant technically driven qualitative improvement in your **planning process** in the past 5 years?



Are you already using **robotic process automation (RPA)** in your finance function?

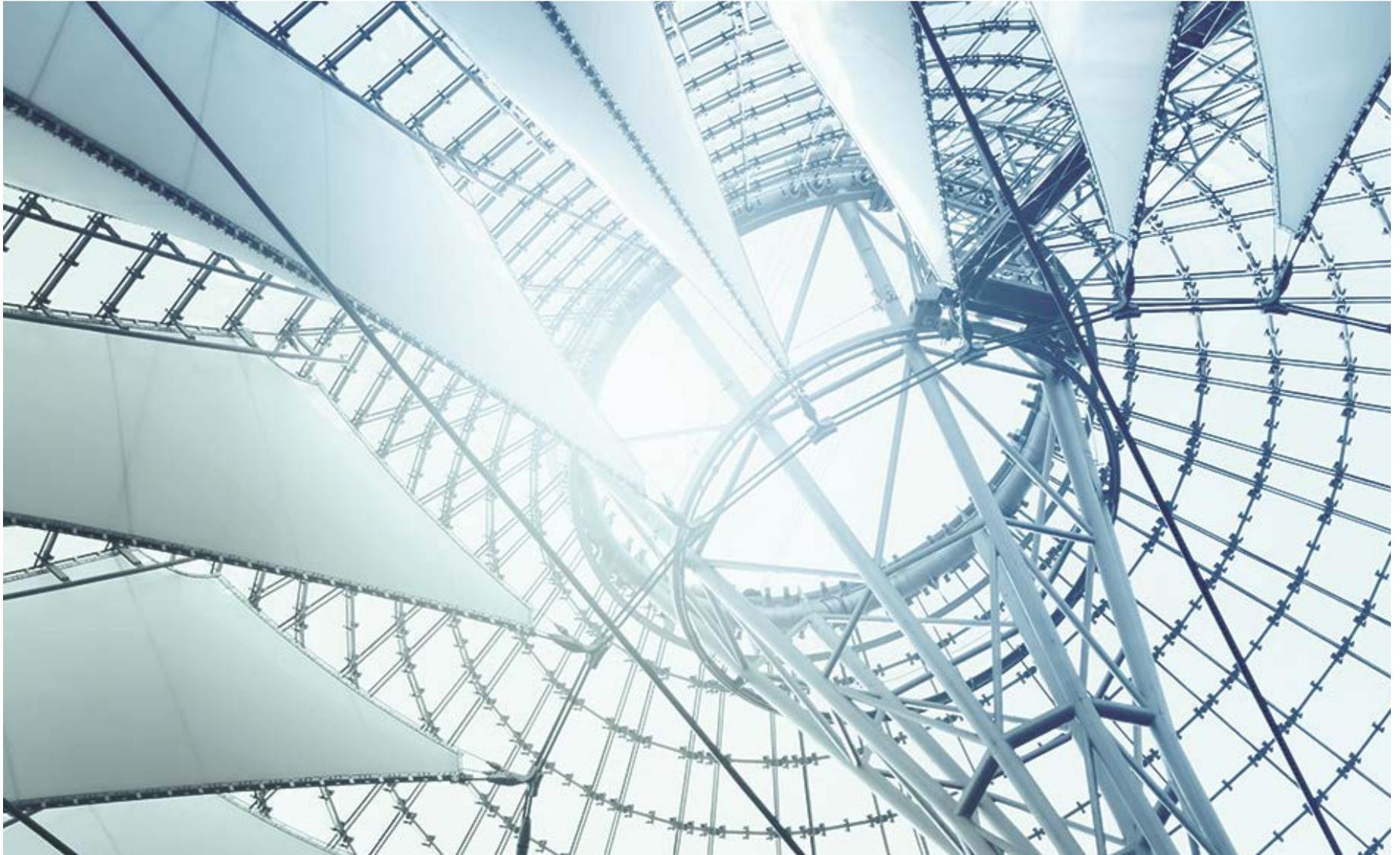


- Very little realized improvement, although technical innovation and tools have been **readily available** in the market for quite a while
- Differentiated situation in planning – some companies need **six weeks**, others **half a year** for planning completion
- Robotic process automation is currently less prevalent in practice

# 2

## QUALITY AND EFFICIENCY

How will the value contribution of the finance function change and which changes will increase process quality?



## 2 IMPLICATIONS FOR QUALITY

All functional departments expect improvements, but need to develop relevant competencies

Interconnected systems and more efficient budgeting procedures are going to improve planning quality

Real-time reporting improves reporting quality by reducing reaction times

Quality in risk management will improve through more precise risk estimates and shorter reaction times, enabled by early warning indicators

The extension of competencies from the finance function to functional departments – especially for steering the sales and strategy departments – is seen as an important aspect

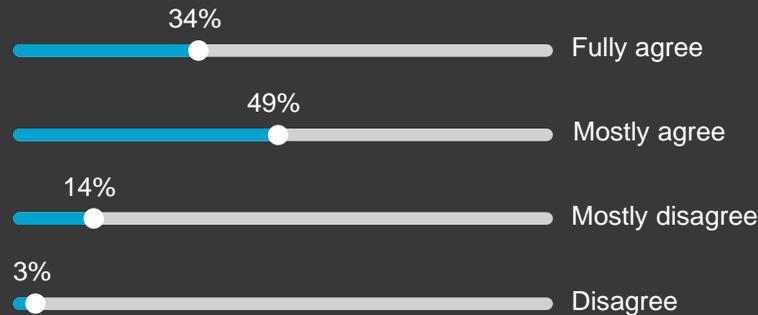
Competency development in big data analysis (especially data selection and analysis capabilities) is regarded as a key asset as well

## 2 IMPACT ON QUALITY

83% estimate that plan value can be more precisely derived by use of connected systems; the view on self-learning systems is ambivalent

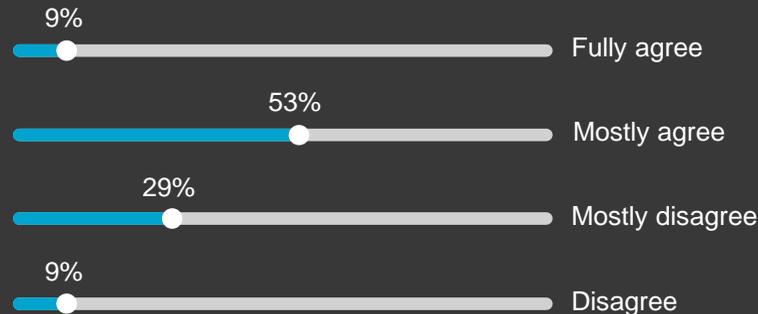
### Connected systems

that are able to reflect complex cause and effect relationships will improve estimation of plan values.



### Self-learning systems

will identify and correct planning errors autonomously and will help to make planning more accurate

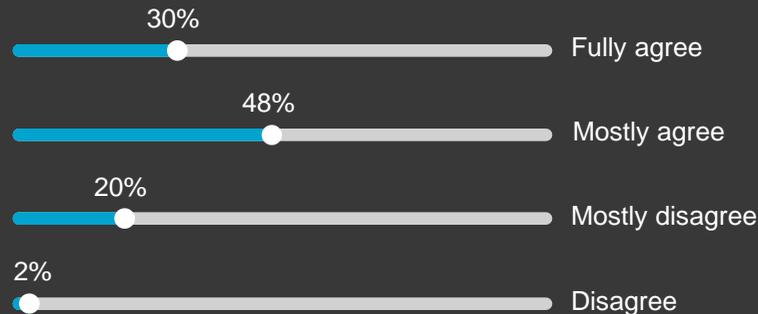


- **Connected systems** (83%) and **innovative budgeting processes** (77%) will improve planning quality in the future
- Ambivalent view on **self-learning systems**:
  - 62% see opportunities
  - 38% do not believe that these systems will be able to identify and correct planning errors automatically

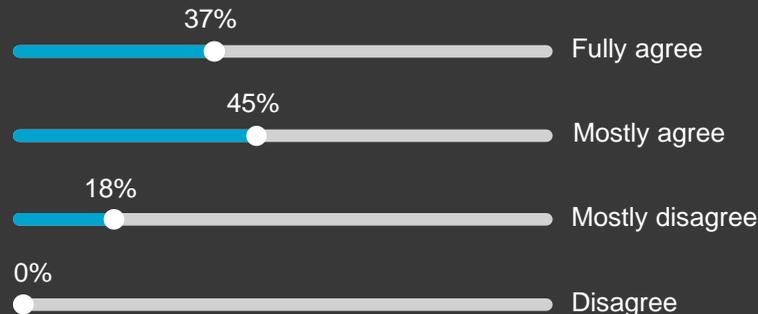
## 2 IMPACT ON QUALITY

82% see improvements in risk management through automated identification of early warning indicators

Evaluation of risk will be more precise through use of **automated mass data analysis**



**Early warning indicators** and variations can be identified by automated systems, thus shortening the time to react in risk management

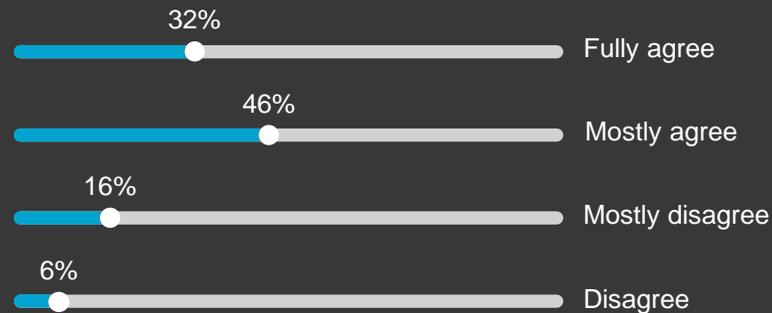


- **Real-time based and self-learning** systems for variation analysis will allow more timely control and increase governance
- More precise risk evaluation by **automated mass data analysis**
- Shorter reaction lags by use of **automated early warning identification**

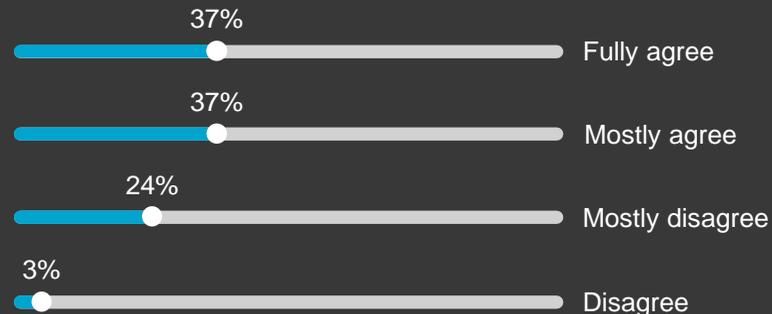
## 2 IMPACT ON QUALITY

78% of respondents see a need to build more functional expertise in the finance function for sales controlling, 74% for strategy

Functional expertise must be enhanced for **sales controlling**

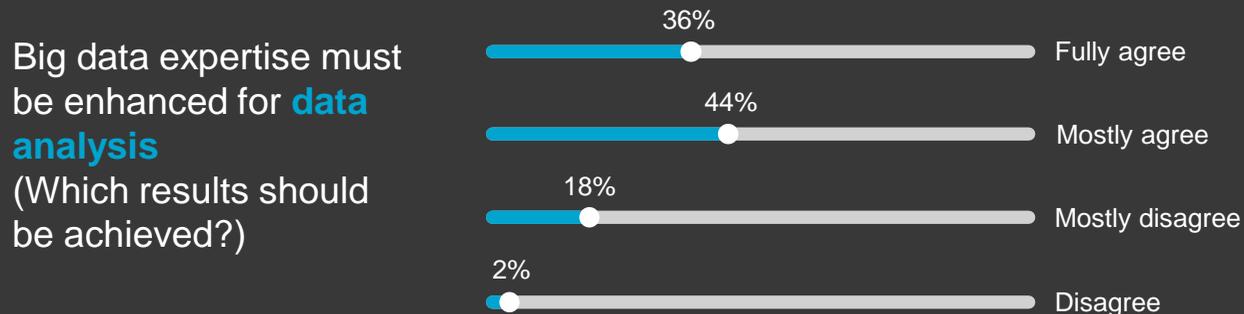
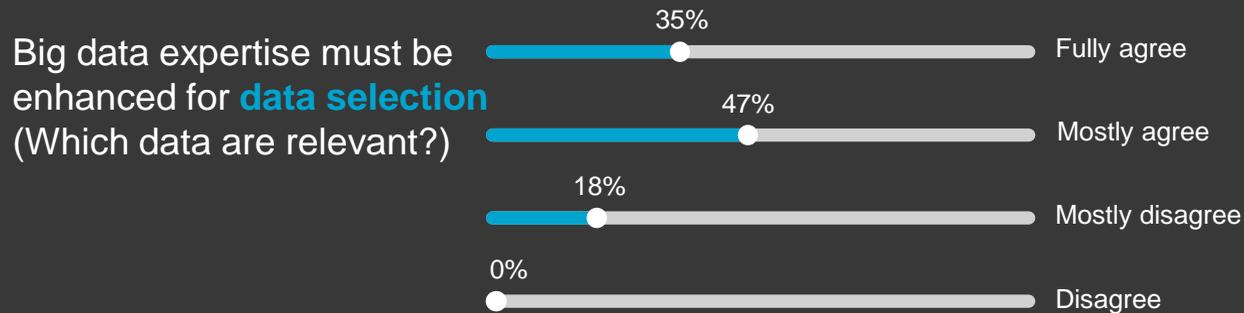


Functional expertise must be enhanced for **corporate strategy**



## 2 IMPACT ON QUALITY

Enhancement of Big Data expertise is key – with a focus on data selection (82%) and data analysis (80%)



## 2 IMPACT ON EFFICIENCY

All functional departments expect improvements – but need to develop relevant competencies

The biggest digitalization efficiency gains are expected in the planning and reporting processes

84% of respondents think that automated planning processes will replace the majority of manual work steps

Doubts are prevalent about autonomous corporate planning by self-learning systems

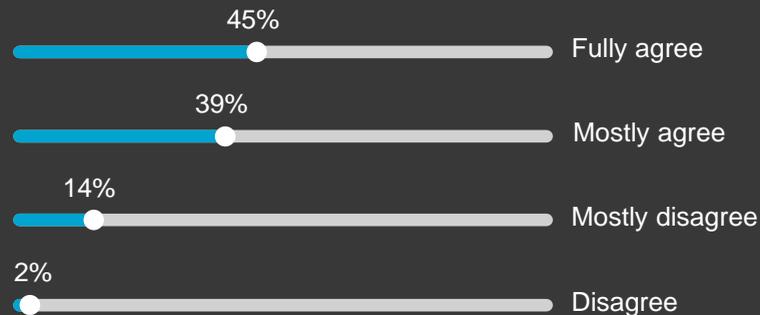
Furthermore, respondents expect that conflicts in objectives can be better solved by closer linkage of functions

Efficiency gains in risk management are expected to be smaller, only respondents within banking / financial services sector see larger efficiency gains

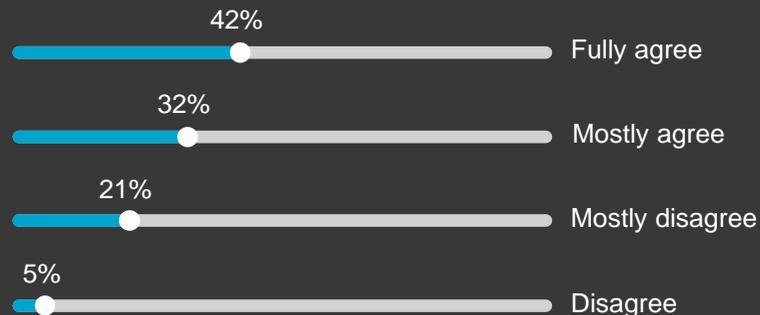
## 2 IMPACT ON EFFICIENCY

More than 80% expect elimination of manual processes in planning due to the advent of connected, innovative systems

More effective, connected systems will partially eliminate manual processes



Advanced technological capabilities will decrease the necessary time frame for the planning process

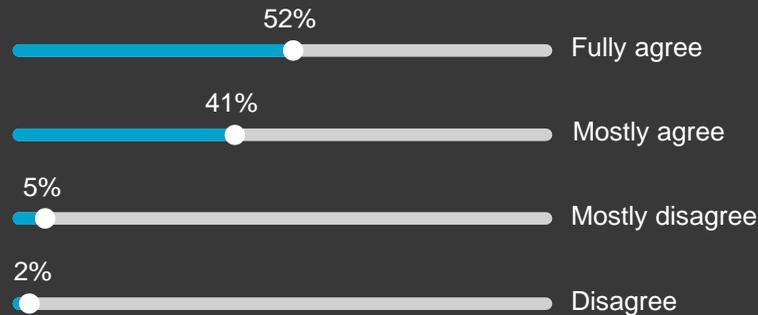


- 84% are convinced that more **effective** and **connected** systems will partially eliminate manual processes
- 74% see **reduced time frames** for the planning process
- Respondents in the **automotive industry** and **industrial manufacturing** are especially optimistic about planning efficiency
- 52% do not believe that self-learning systems will be able to **autonomously conduct** the **planning** process

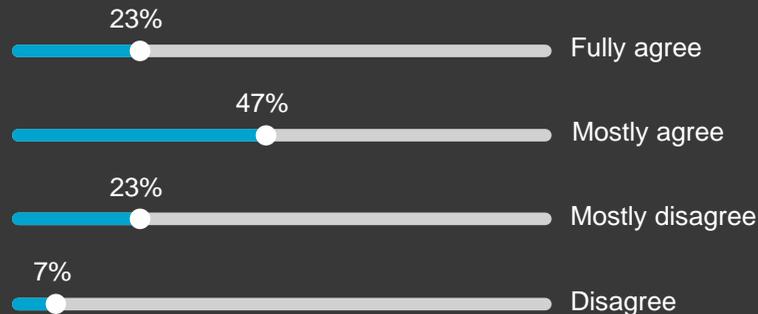
## 2 IMPACT ON EFFICIENCY

90% expect efficiency gains in reporting, mainly driven by self-service reporting

Do you expect **efficiency gains** from digitalization?



Do you expect that **self-service applications** will shift reporting activities from finance into other functions?

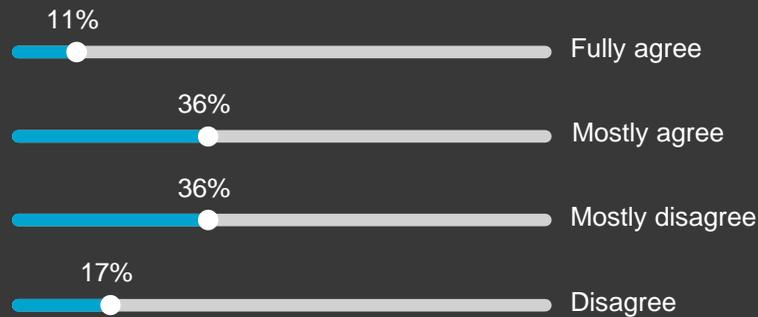


- Strong consent on **efficiency gains in reporting** from digitalization (93%)
- 70% expect the advent of **self-service applications** in operating departments as a result of digitalization
- This shift will create efficiencies in the finance function

## 2 IMPACT ON EFFICIENCY

Only 47% expect efficiency gains in risk management; however, 75% of respondents in financial services do

Do you expect elimination of risk management tasks due to advancing digitalization?



- A slight majority of respondents (53%) does not expect **elimination of risk management** tasks driven by digitalization
- The picture looks different within **financial services** – 3 out of 4 assume efficiency gains to be likely

# 3

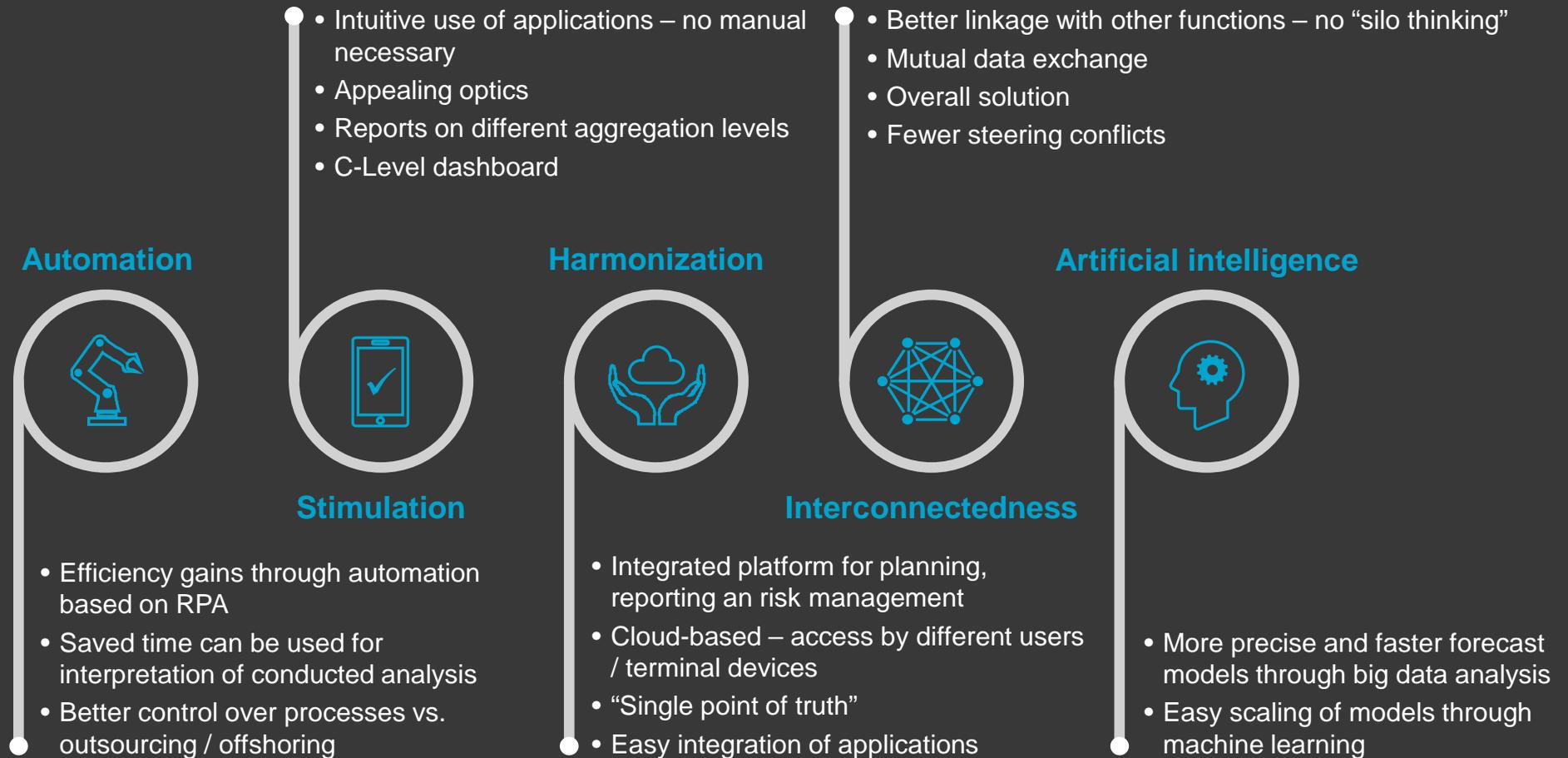
## MAJOR ACTION FIELDS

Which challenges need to be tackled by the finance function? How can the finance function actively shape the changes?



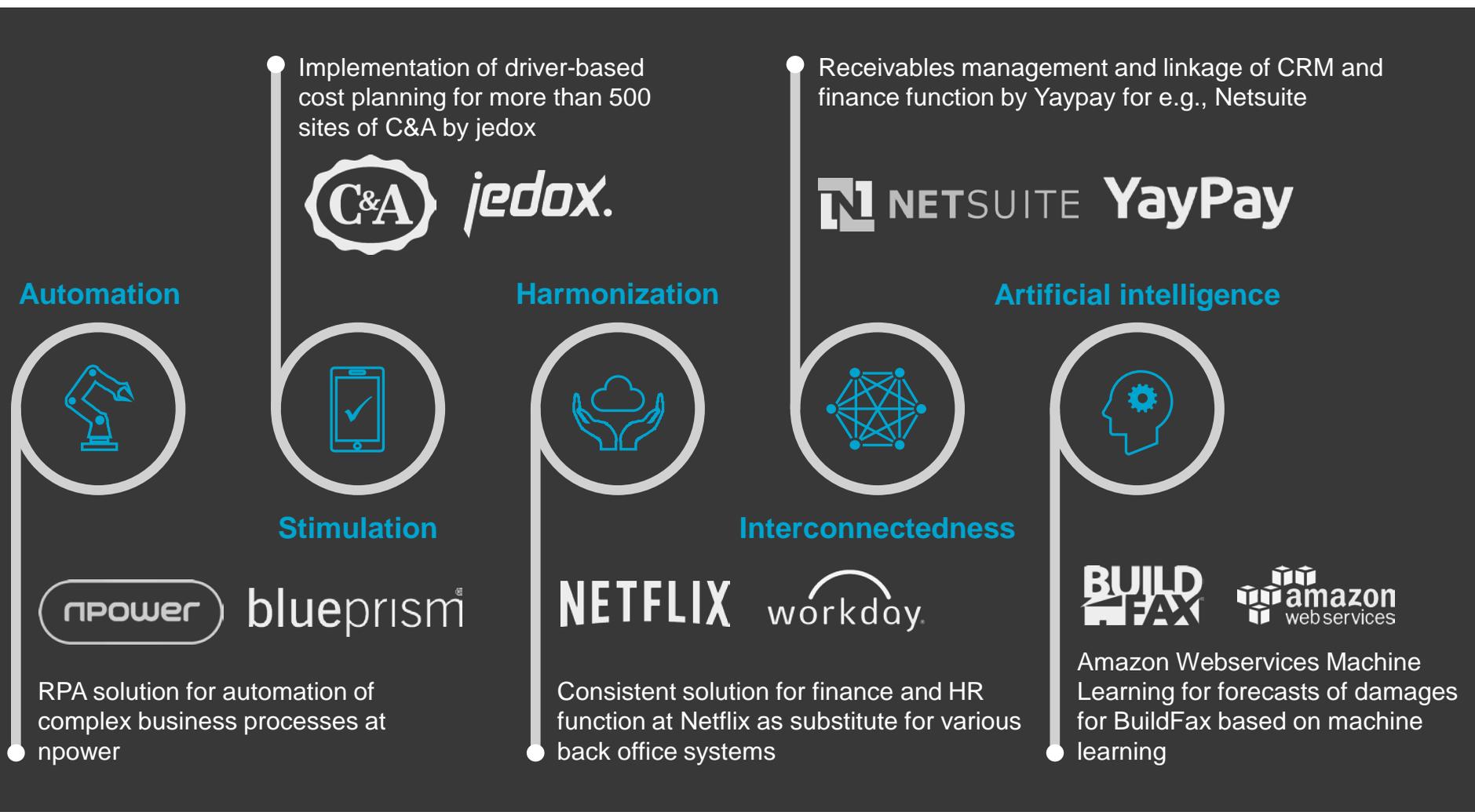
# 3 MAJOR ACTION FIELDS

## Preparing the finance function for the digital age



# 3 MAJOR ACTION FIELDS

## Examples of successful implementation of innovations



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