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Gartner for Finance

The Digital Future of Finance

10 CFO Opportunities to Accelerate
Digital Transformation



Introduction

Most business leaders expect revenue to return to or exceed 2019 levels in 2021-22, and CFOs are drivers, or at least key stakeholders, in a range of critical issues that will drive this postpandemic recovery.

The chief challenge is to meet senior leadership’s demands to accelerate growth and digital models while restoring the organization’s financial health.

CFOs also have a function to run. They are entering a period of significant transformation for finance, with new technologies readily available to help drive efficiencies and insights into business performance.

These pressures culminate in 10 digital imperatives for CFOs in 2021 — to accelerate the digital enterprise and the digitalization of the finance function itself.



Richard Ries
 Vice President
 Gartner Research & Advisory

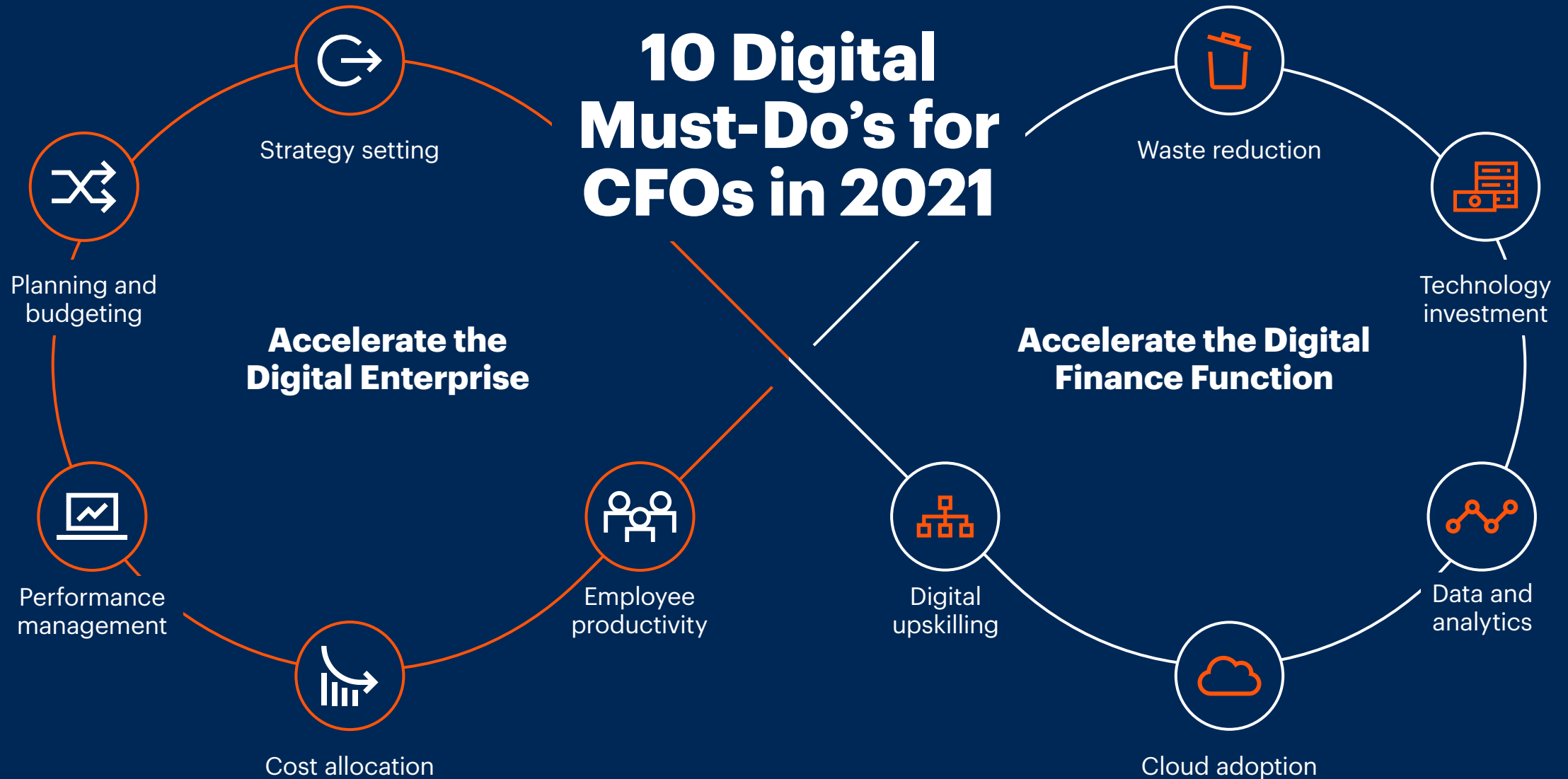
CFOs will have to reduce costs and fund growth

Average relative increase/decrease



n = Base sizes vary; excludes “don’t know”
 Board directors were asked what budgetary changes they expected as a result of the COVID-19 impact
 Source: Gartner View From the Board of Directors 2021

10 Digital Must-Do's for CFOs in 2021



Accelerate the Digital Enterprise



Align digital strategies and business outcomes



What's happening

Business leaders are clearly signaling an acceleration in digital business initiatives. Many expect digital technology to lead to substantial or total transformation for their industry by 2026.

What it means

The pandemic uncovered new customers and sources of demand for all organizations; CFOs must enable pivots to new products and opportunities.

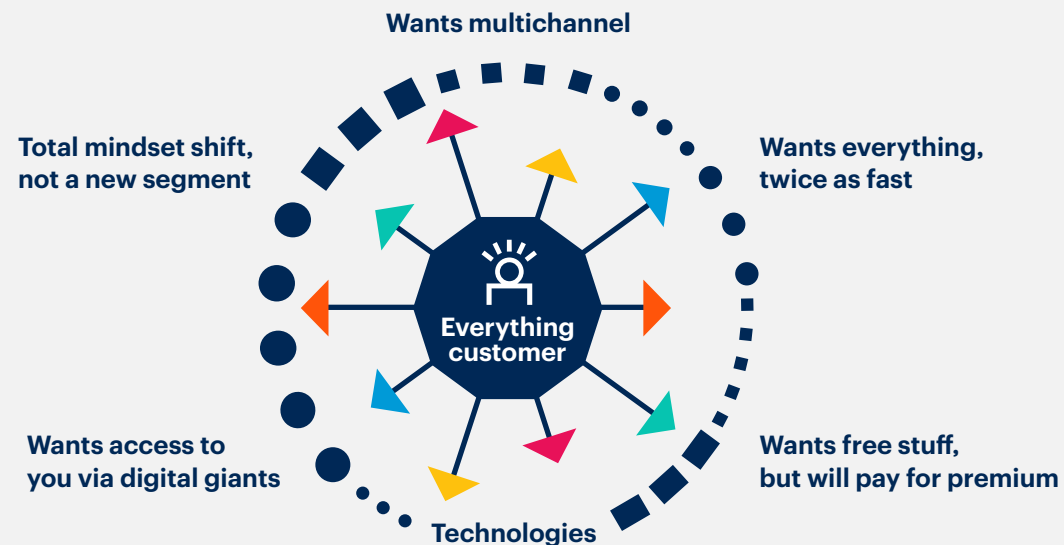
2021: Strategic plans will feature business-driven digital initiatives

64% of business leaders say they will use the COVID-19 and related economic crises as an opportunity to focus on redesigning their businesses. 69% say digitalization initiatives are accelerating. CFOs are critical enablers of these enterprise ambitions.

Business models will need to shift, for example, to account for the new “everywhere, everything” customer.

Learn more:
[Top Priorities 2021](#)

Your new customer



Source: Gartner

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Design flexible planning and budgeting



What's happening

Planning and budgeting activities, historically conducted on an annual basis, aren't fit for today's dynamic environment.

What it means

Budget rigidity impedes the ability of business leaders to pivot and capture new opportunities as they emerge.

2021: Support scenario-based, agile, iterative planning

First, be clear on business priorities and realign the budget to support them — which might require zero-basing budgets and resource allocation decisions.

Then consider contingency budgeting, even if it's only for select cost categories for different scenarios.

Learn more:
[Use Zero-Based Budgeting to Rightsize Tight Budgets](#)

Criteria screen used to isolate cost categories to be included in contingency budgets

(Illustrative)

Cost category	Is there flexibility to adjust it later in the year?	Is it variable?	Does it have a material impact on the budget?	
Marketing expenditure	✗	✗	✗	Do not factor into contingency budget
Utilities	✗	✗	✗	
Labor	✓	✓	✓	Factor into contingency budget
Materials	✓	✓	✓	

Source: Gartner

Rethink digital business performance management



What's happening

The growing diversity of investment projects — especially given digital acceleration — pushes more investments outside the scope of traditional capital budgeting methods.

What it means

New digital business cases are difficult to quantify using return-based measures, potentially nixing opportunities too soon.

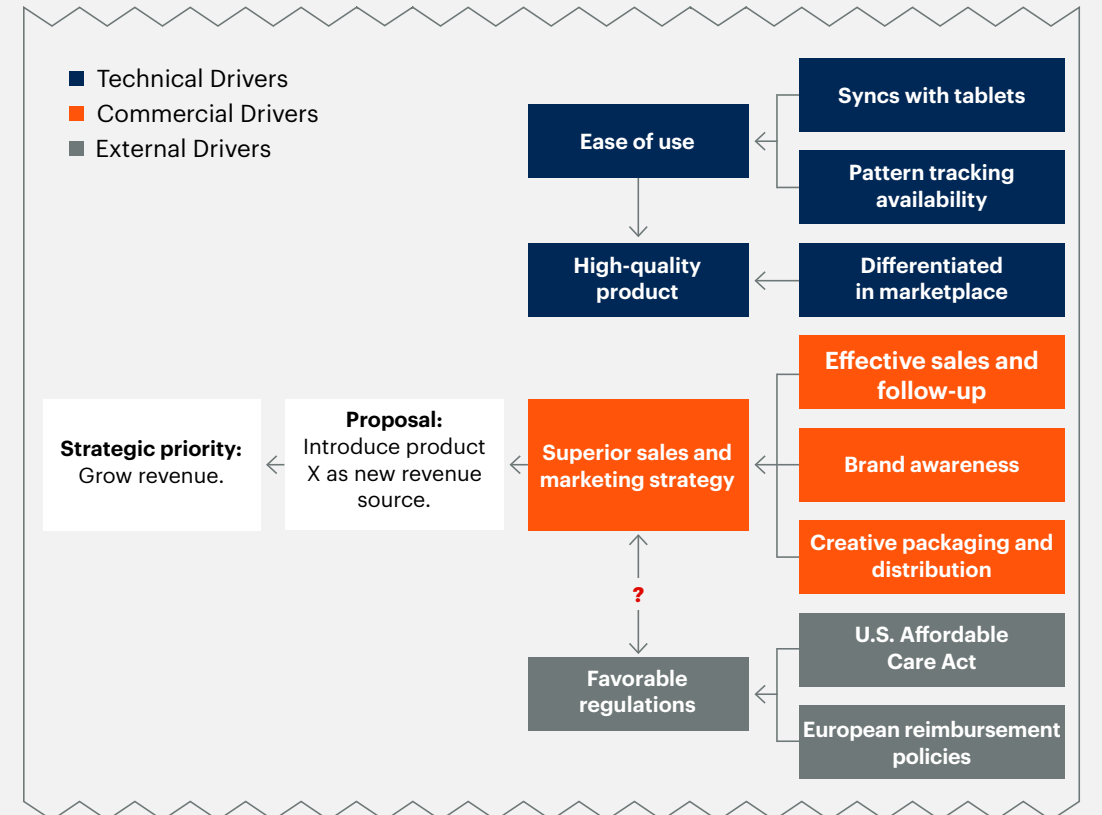
2021: Rethink how to measure, fund and manage digital business performance

CFOs need to promote a culture in which investment management processes balance innovation and financial accountability and champions a test-and-learn mentality. New metrics will be required — with, for example, a more venture-capital-like approach to measuring investments.

Learn more:
[Why Investment Governance Must Change](#)

Source: Gartner

Investment Value Driver Model



Allocate costs to fund digital growth and new business models



What's happening

As CFOs look to set their organizations up for success over the next 12 months and beyond, job No. 1 is to fund new (or existing) growth.

What it means

To avoid an overly conservative approach to the renewal period, CFOs need a more sophisticated lens to evaluate costs and growth opportunities.

2021: Focus costs on differentiating initiatives

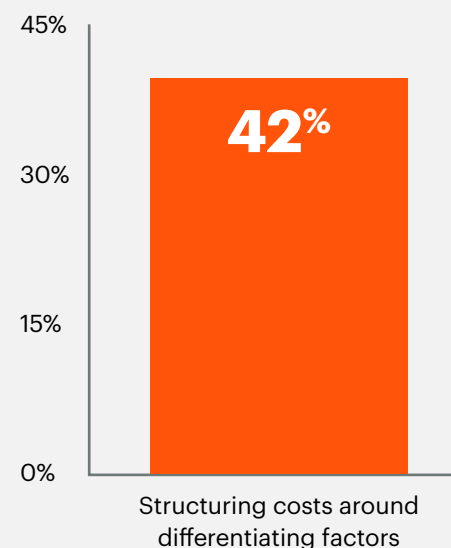
Many CFOs prioritize investments based on external factors such as what peers are doing. The most effective CFOs focus on costs and investments that are differentiating.

Take the differentiating approach and keep the organization focused on costs that align with digital growth and new business models.

Learn more:
[New Role for CFOs in Capturing Value](#)

Impact of cost structure on long-term value realization

Relative impact of moving from 10th to 90th percentile



Superior performance at differentiating the cost structure drives 42% higher long-term value realization, and over 6 percentage points of excess return compared to competitive peers.

n = 55 CFOs

Source: Gartner CFO Cost Structure Survey

Long-term value realization is a measure of an organization's ability to realize value over a 3-year period: expanding margins as much as possible, fully translating growth bets into profitability, taking on enough risk, creating capacity to pursue growth opportunities and pursuing growth without creating excess complexity.

Invest in employee performance in a hybrid work environment



What's happening

Almost all organizations expect to allow employees to work remotely at least some of the time even after COVID-19 subsides.

What it means

CFOs must help the organization provide employees with whatever they need to be productive when remote.

2021: Fund the right investments to increase employee performance in a hybrid workplace

The pandemic offered critical proof that efficiency often comes at the cost of flexibility. But, equally, you can't build resilience at any cost. CFOs are key to ensuring that the right resources and support flow to employees.

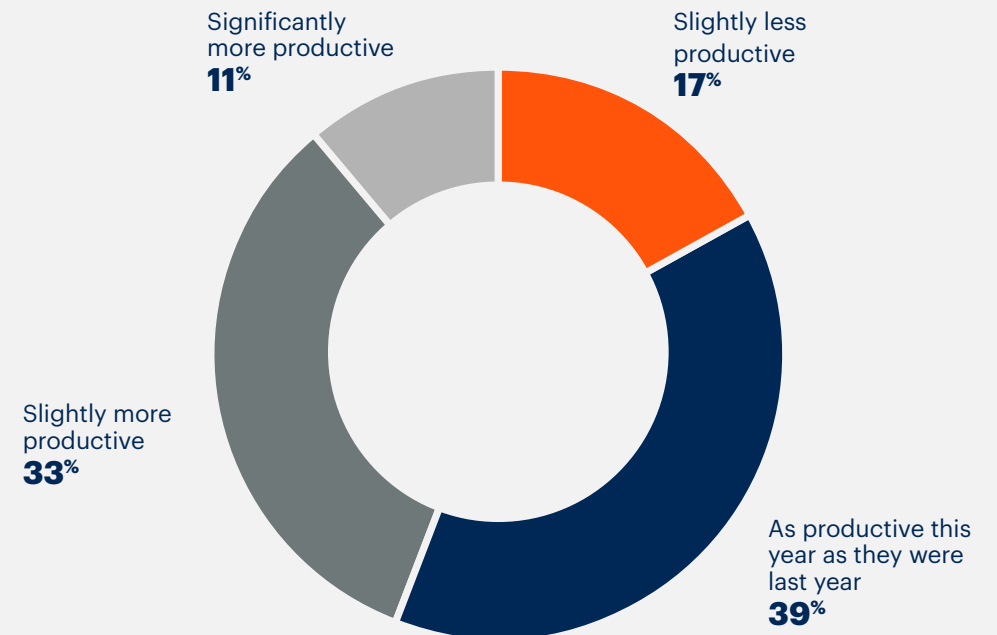
For example, 70% of businesses are allowing employees to bring home work equipment, and 58% have supplied new hardware. CFOs must protect these and other enabling expenses, such as contracts around data security, cloud storage and VPN.

Learn more:
[Dispel 7 Myths to Prepare for a Hybrid Future of Work](#)

Are employees as productive as before COVID-19?

Compared to last year, how productive is your current workforce?

Percent selecting



n = 110

Source: Gartner HR Lessons From COVID-19 Webinar Poll (December 9, 2020)

Accelerate the Digital Finance Function



Reduce waste and redundancy to free up capacity



What's happening

Robotic process automation (RPA) has brought speed, efficiency and cost optimization, but finance is still expected to increase decision support while reducing costs.

What it means

Finance needs to critically reassess the benefits of existing RPA programs and ensure they are aligned to enterprise goals.

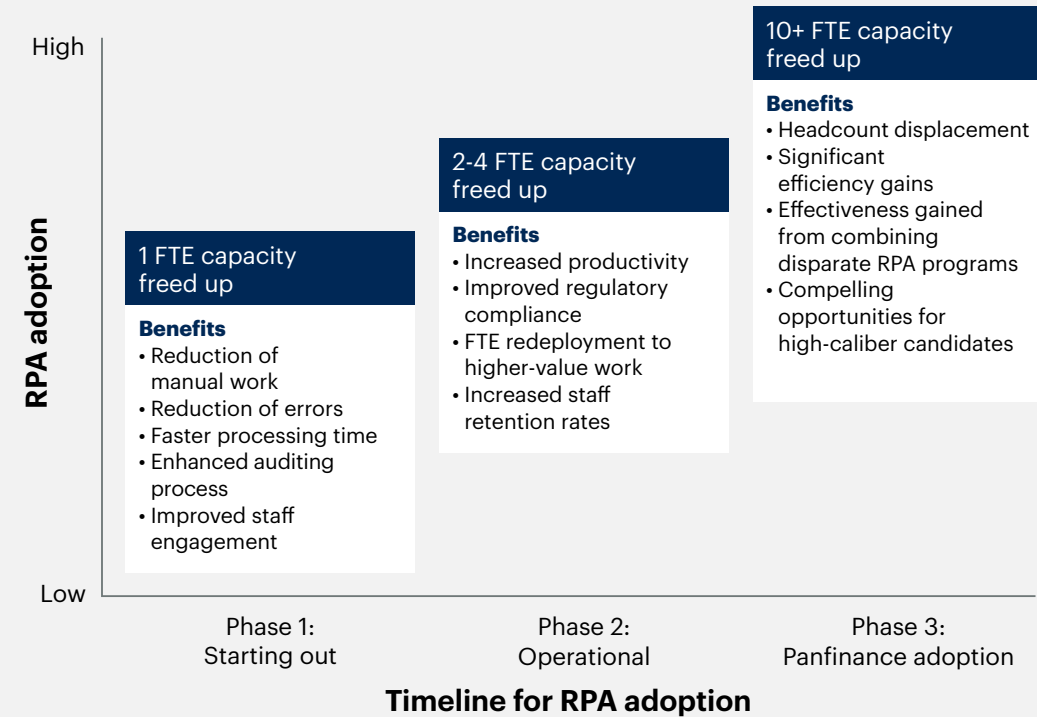
2021: Free up capacity from repeatable and transactional finance processes

RPA is limited by its adherence to rigid rules, and it can't execute decision-oriented tasks. By adding machine learning, RPA can be used for more complex activities, such as budgeting and forecasting. This will free up relevant staff to focus on the most impactful decision-support aspects of their jobs.

Learn more:
[Role of RPA in Finance Automation](#)

Benefits of RPA in finance grow as deployment expands

Capacity of full-time employees (FTEs) freed across phases of robotic process automation (RPA) adoption



Source: Gartner

Invest in value-driving finance technology



What's happening

Many organizations continue to run unwieldy finance processes using outdated technology.

What it means

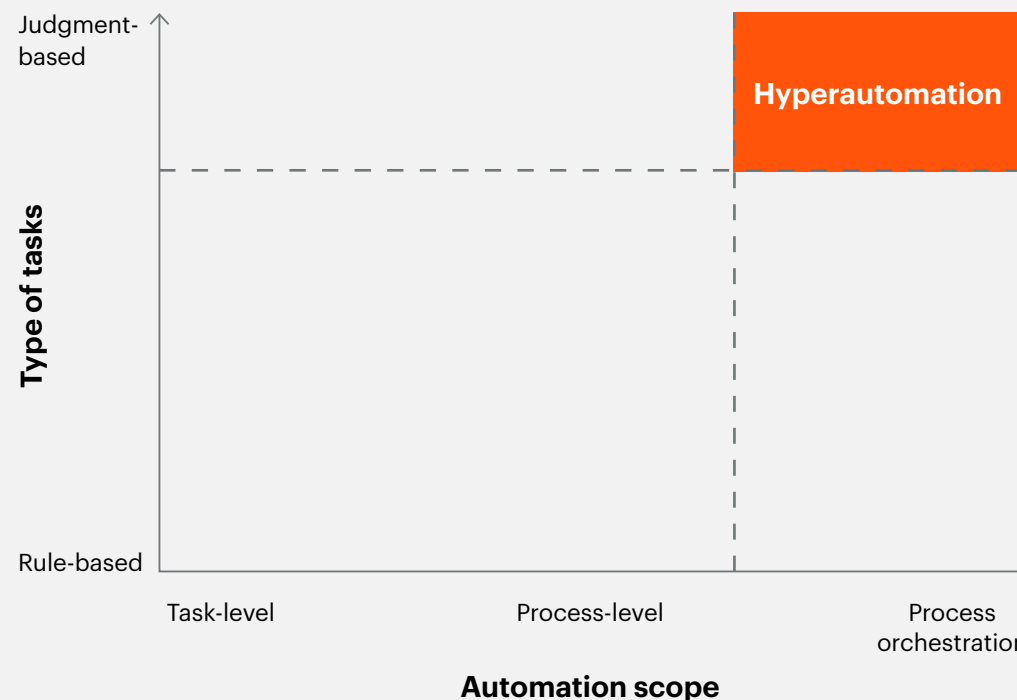
Less than one-third of CFOs are confident that their technologies are aligned with their requirements for ensuring the future success of the organization.

2021: Invest in finance technology that enables finance to deliver value

CFOs have allowed finance to rely too heavily on RPA, and they now need a defined strategy to scale automation with tactical and strategic goals. By using additional technologies to automate complex finance processes, CFOs can focus on identifying new value-adding services, such as automatically forecasting long-term real estate value or predicting pricing based on consumer behavior.

Learn more:
[Finance AI, a Step on the Path to Hyperautomation](#)

Move toward hyperautomation



Source: Gartner

Deploy data and analytics insights securely at scale



What's happening

Finance executives have insufficient technical or domain expertise to perform more complex data analysis.

What it means

Without the help of professional data scientists, finance is challenged to generate insights that business leaders can use to make decisions.

2021: Reduce the need for specialized skills to perform complex analysis

To unlock data and insights for the business at scale, CFOs must champion “democratization” — providing a radically simplified data and analytics experience to finance teams.

A specialized team, for example, could leverage augmented analytics to facilitate data generation and preparation, and the discovery and visualization of findings without the need to build models or write algorithms.

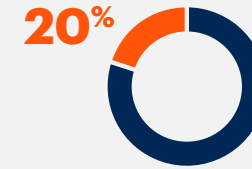
By 2023, augmented data management will reduce the reliance on finance analysts for repetitive and routine data management tasks, freeing up to 20% of their time for collaboration, training and high-value analytics tasks.

Watch now:
[Overcoming Data & Analytics Challenges](#)

Augmented data management



Reduce reliance on finance analysts for repetitive and routine data management tasks



Freeing up to 20% of their time



For collaboration, training and high-value analytics tasks

Accelerate cloud adoption with right-size, right-choice vendor selections



What's happening

COVID-19 forced many finance teams into remote operation. Many organizations plan to keep some level of staff workloads permanently remote.

What it means

Finance has successfully shifted key activities to the cloud, but must continue to demonstrate value in scaling processes to support business imperatives.

2021: Accelerate cloud adoption and acquire data analytics tools

Cloud service providers' expertise in handling large volumes of data means they can better ensure data security than on-premises or private cloud solutions.

The imperative for CFOs is to find the right vendors, at the right time, at the right price, and deploy solutions in places that will improve the speed, trust and predictive nature of insights.

Learn more:
[Learn How Gartner BuySmart™ Can Help You to Buy Technology With Confidence](#)



Determine what you really need to meet business outcomes

Assess your strategic, financial and technical requirements.



Pick the right provider

Understand the market; evaluate and select the right partners.



Align deal structures with business needs

Pick the optimal delivery model, contracting vehicles and pricing models.



Optimize spend

Avoid unnecessary charges, rightsize support and service levels, benchmark pricing (where available).



Reduce complexity and risks

Review T&Cs to protect against future cost increases and unanticipated costs, and provide risk mitigation.

Hire, retain and develop digital skills in finance



What's happening

Only one-third of finance leaders agree that their teams have sufficient competencies required for a digital finance function.

What it means

The growing digital skills gap in finance reduces the function's ability to successfully exploit digital technology capabilities.

2021: Hire, retain and develop finance digital skills

Digital skills are needed to support an always-on, technology-driven, real-time business. Because skill needs are changing so quickly, finance leaders need an "always on" skills-sensing ability to locate new skills and evaluate skills-development priorities. This enables finance to course-correct quickly and apply skills closer to the time of need.

Read article:
[Fill Skill Gaps in Finance](#)

Five Most Relevant Digital Finance Competencies Defined

- 1 Technological literacy**
Knowledge of how to exploit digital technology to drive better outcomes for finance and the business
- 2 Digital translation**
Ability to explain how digital technologies interact with finance stakeholders, processes and systems
- 3 Digital learning and development**
Ability to fast-cycle new digital learning requirements within the new learning environment
- 4 Digital bias management**
Ability to understand and articulate bias in machine learning and manage the risk
- 5 Digital ambition**
Capability and motivation to embrace technology and new ways of working

Source: Gartner

Lead Your Finance Function Into a Digital Future

Throughout 2021, Gartner experts will continue delivering essential insights on the key emerging trends and proven tactics that can help to fuel your digital transformation. Position your finance function and organization to thrive:

Follow [Gartner for Finance on LinkedIn](#) for the latest updates

Watch our Virtual Briefing: [The CFO's New Role as Digital Leader](#)

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