FINANCE IN THE DIGITAL AGE
Do F&A Leaders Believe in Digital-Driven Change?

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Executive Summary

Digital technologies are changing the way we interact, operate and compete. With advancements in analytics and big data, automation, mobility, and cloud/Software-as-a-Service (SaaS), this onset of digital is having a visible impact on many enterprises’ business models and customer behavior.

As most businesses focus their digital initiatives on the front office, few people would consider the finance and accounting (F&A) function as a leader in digital-driven change. And yet our research is now revealing that enterprises are starting to challenge the way they measure operational performance across core functions such as finance. They are realizing that they cannot achieve real business outcomes from their digital investments without connecting initiatives across the front, middle and back office. They require simplification and more intelligent operations in the emerging As-a-Service Economy.

The largest enterprises have already reaped the benefits from standardizing F&A by using outsourced and offshore service providers or shared services to consolidate processes, gain quality delivery, and save costs. In the As-a-Service Economy, however, the definition of “great” finance is evolving, with new ways to impact finance outcomes. Services buyers want greater productivity gains and improved decision making from different means such as automation and analytics. But with many new opportunities in hand, it is difficult to pinpoint the level of progress beyond a directional trend. Many of our industry conversations are now about how much impact digital is really having – or will have — on finance processes, people and technologies.

In January 2016, with input from the Genpact Research Institute, HfS Research surveyed 380 enterprise service buyers, advisors and service provider executives from the finance function. Our key objective was to learn about the impact of digital on finance and the differences in perception. It explores executives’ views on bringing this business function into the digital age, their key challenges in enabling organizational change, and the investments and alliances they are making as they reimagine F&A.
Key findings include:

» Nearly half (48%) of finance and accounting (F&A) executives are not satisfied with the impact of digital technologies, and only 9% believe they achieve optimal performance from their current processes.

» There is a significant disconnect between the C-suite’s satisfaction with the impact of digital technology on finance and those running day-to-day F&A processes.
  • 18% of senior finance executives are very satisfied with the current digital environment vs. just 3% of middle management.
  • Middle managers want a more analytics-focused culture (34% of middle management consider it hugely important vs. 24% of senior management), and would like enough operational efficiency to free up staff for more complex tasks: 45% cite operational efficiency as having huge importance vs. only 27% of senior management.

» One of the biggest sources of operational level disappointment to F&A leaders is the lack of data quality and readiness within disparate F&A processes.

» Digital leaders—enterprises that are very satisfied with the impact of digital on their finance functions—are investing ahead of the curve across all technologies, including mobility, cognitive computing, and robotic process automation.

» When comparing the impact of specific digital technologies on F&A processes now and in the next two years, the biggest increases are expected in cognitive computing platforms and robotic process automation.
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The Need to Reimagine F&A Processes

Barely One-in-Ten Enterprises are Achieving Optimum Results from Their Finance Functions

The strategic priorities for ambitious CFOs no longer begin and end with bookkeeping and controllership activities. Many finance leaders are seeking to tread the same career path as their CEO counterparts, becoming more involved in driving sustained growth for the enterprise.

With the challenges and opportunities facing enterprises to re-architect their operations in order to survive in these times of digital disruption and the increasingly complex global business environment, the role of the CFO in planning and forecasting demand for long-term growth and working capital optimization is crucial.

To achieve these goals, these finance leaders have evolving needs and demands that will fundamentally transform activities related to selling, general and administration expenses (SG&A), including modernizing financial systems and more effectively managing regulatory compliance and financial reporting. As a result, F&A professionals across industries are being asked to do more in their day-to-day responsibilities than they have in the past. It is, therefore, no wonder that in our survey of 160 F&A services buyers, only about one in ten is Very Satisfied with the way their finance functions are run today, with most buyers expressing a more muted Satisfied state (63%).

Exhibit 1: Only 9% of F&A Buyers are Very Satisfied with Their Current Operational Performance

How satisfied are you with the operational performance of your F&A processes as of today?

<table>
<thead>
<tr>
<th>Category</th>
<th>Very Satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Unsatisfied</th>
<th>Very unsatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>9%</td>
<td>63%</td>
<td>19%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Order to Cash</td>
<td>13%</td>
<td>57%</td>
<td>22%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Treasury, Budgeting</td>
<td>15%</td>
<td>53%</td>
<td>23%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>11%</td>
<td>55%</td>
<td>27%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Record to Report</td>
<td>10%</td>
<td>55%</td>
<td>25%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Financial Planning &amp; Analysis</td>
<td>17%</td>
<td>47%</td>
<td>22%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Procure to Pay</td>
<td>11%</td>
<td>53%</td>
<td>24%</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
Over the past three decades, the operating models for F&A have evolved to include internal business units, centralized shared services and outsourced third-party service delivery. While it is viewed as one of the more mature functions to be commonly outsourced, the dominant operating model for F&A is still a hybrid of shared services and internal business units. As Exhibit 2 illustrates, more than half the enterprises (58%) in our study rely on distributed internal business units to operate their Financial Planning & Analysis. Few enterprises have standardized their operations across regions/markets, backed by multipoint global delivery and technology—an evolution toward global business services. Others have made moves to create regional/functional shared services. Overall, enterprises are in the early stages of global process standardization, leading to a bigger challenge—accessible and actionable data.

Exhibit 2: Internal and Shared Services Dominate Operating Models

Please select your dominant operating model for the following F&A processes.

<table>
<thead>
<tr>
<th>Process</th>
<th>Mainly outsourced</th>
<th>Mainly shared services</th>
<th>Even balance (centralized)</th>
<th>Internal business units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>26%</td>
<td>27%</td>
<td>10%</td>
<td>37%</td>
</tr>
<tr>
<td>Procure to Pay</td>
<td>13%</td>
<td>34%</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>Order to Cash</td>
<td>11%</td>
<td>30%</td>
<td>17%</td>
<td>42%</td>
</tr>
<tr>
<td>Record to Report</td>
<td>11%</td>
<td>27%</td>
<td>19%</td>
<td>43%</td>
</tr>
<tr>
<td>Financial Planning &amp; Analysis</td>
<td>4%</td>
<td>21%</td>
<td>16%</td>
<td>58%</td>
</tr>
<tr>
<td>Treasury, Budgeting</td>
<td>3%</td>
<td>27%</td>
<td>12%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
Our enterprise interviews reveal that one of the biggest sources of operational level disappointments is the lack of data quality and availability within these disparate F&A processes. Without data alignment across financial systems and ERP systems, paperless document processing, and the movement away from manual spreadsheets and emails, F&A executives struggle to deliver more efficient and effective processes. This challenge is evident in the higher level of dissatisfaction shown in Exhibit 1 from areas such as Financial Planning & Analysis, where businesses are eager for better reporting. An F&A Manager at a global consumer packaged goods conglomerate elaborates, “We’re not happy with our order to cash process because of the lack of standardization. We operate in several countries and the approach to maturity of technology usage across those markets is so varied... our model is sporadic and it negatively impacts global visibility.”

These systemic symptoms signal the need for change: Finance and accounting professionals need access to accurate and actionable data and use of enabling technologies to achieve the business outcomes that their CFOs are setting for them, such as global visibility into financial objectives and performance tracking, real-time forecasting and demand planning capabilities, or accelerated financial close and payment cycles.

**Why Digital Matters to F&A**

**Digital Initiatives and Finance Outcomes**

The term digital is used very loosely today, making it challenging for enterprise leaders genuinely to understand it and implement within their enterprises. Because digital has settled into the consumer world, with readily accessible technology changing the way we live, it is often first associated with customer engagement and experience. Within organizations, digital stirs up connotations of digital customer engagement and continual experience improvement, designing new business models geared around digitally-oriented products and services, and other end-customer focused use cases.

So why would these technologies matter to the business-as-usual operations of the internally-focused finance department? HfS believes that the applicability of digital goes far beyond the front office and sales and marketing oriented activities, and provides pivotal capability to improve the service experience of both end customers and internal employees by integrating the front, middle and back offices—essentially changing the way we work. “Digital transformation” describes the organizational and cultural changes brought about by the
application of digital technologies aimed at improving overall performance. The technologies that form the foundation of this change are principally:

- Analytics and big data tools and applications
- Mobility tools and applications
- Cloud-based/SaaS platforms upon which to build shareable capabilities
- Interactive/collaborative tools, applications and social media
- Robotic process automation (RPA) tools and applications
- Cognitive computing platforms and machine learning

Exhibit 3: Finance Professionals Buy Into Digital Transformation

To what extent do you agree/disagree with the following statements?

- Enterprises that embrace digital transformation across business functions will gain more ground than their competitors in the next couple of years
  - Agree Strongly: 35%
  - Agree Somewhat: 49%
  - Neutral: 13%
  - Disagree Somewhat: 7%
  - Disagree Strongly: 3%

- Successful digital transformation impacts the whole service experience for end customers and internal employees, by integrating the front, middle and back office processes
  - Agree Strongly: 32%
  - Agree Somewhat: 50%
  - Neutral: 16%
  - Disagree Somewhat: 7%
  - Disagree Strongly: 4%

- The new wave of digital technologies is fundamentally changing the way that the finance function operates
  - Agree Strongly: 23%
  - Agree Somewhat: 53%
  - Neutral: 16%
  - Disagree Somewhat: 7%
  - Disagree Strongly: 3%

- Finance professionals who embrace digital technologies will experience faster career progression
  - Agree Strongly: 25%
  - Agree Somewhat: 51%
  - Neutral: 19%
  - Disagree Somewhat: 4%
  - Disagree Strongly: 2%

- Service providers that fail to embed more digital capabilities within their finance and accounting operations will see their value proposition fade away
  - Agree Strongly: 28%
  - Agree Somewhat: 46%
  - Neutral: 18%
  - Disagree Somewhat: 6%
  - Disagree Strongly: 3%

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
F&A leaders believe digital transformation creates competitive advantages for enterprises. Similar to other HfS studies on the impact of digital on global businesses, the majority of buyers (84%) generally agree, and about a third (35%) are strongly convinced that enterprises that embrace digital transformation across business units will outperform their competitors in the next two years (see Exhibit 3).

Most notably, three-in-four agree that the new wave of digital technologies is fundamentally changing the way that the finance function operates. Finance

Exhibit 4: Big Impact Expected On Cycle Time and Business Agility

To what degree do you think the adoption of digital technologies will impact the following in the next two years?

<table>
<thead>
<tr>
<th>Category</th>
<th>Huge impact</th>
<th>Some impact</th>
<th>Minimal impact</th>
<th>No impact at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cycle time optimization</td>
<td>34%</td>
<td>53%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Agility of the business to drive changes in operating model</td>
<td>28%</td>
<td>49%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Cost and productivity</td>
<td>26%</td>
<td>65%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>User experience in finance processes</td>
<td>26%</td>
<td>54%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Leveraging financial and non-financial data for better decision making</td>
<td>25%</td>
<td>62%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Internal and external customer experiences of finance processes</td>
<td>21%</td>
<td>54%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Operational risk management</td>
<td>19%</td>
<td>53%</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
professionals do not think digital is a fad – 50% disagree on digital being just marketing hype, while about one in five are neutral and need more convincing. These views together are a testament to digital “having legs” for finance. A UK-based F&A Vice President we interviewed explains the perception of digital within finance, “When I think about digital, it’s cloud, mobility and smart devices, and for finance, that’s quite limited today. I can see how the delivery of management information systems and financial analysis to end users through mobility is where we should be going. So the possibility is there, but we haven’t gone there enough. Digital F&A, with modern systems and mobility for analytics insights delivery is absolutely not a fad.” What seems to be missing, though, is the business case for change—the context for the use of the technology, and considering the use of the technology for what it can enable us to achieve faster, more efficiently, or with greater insight, than without it.

Echoing this sentiment, F&A participants in our survey link the impact of digital in the next two years to business-specific outcomes. Almost 90% think the adoption of digital will speed up cycle times (Exhibit 4).

Almost as important is the impact expected on the agility of the business to drive changes in operating models (77% expecting an impact). Middle and senior management are in agreement about these two factors having the most impact—cycle time and agility. Closing the books for each accounting period is one of the most taxing activities and buyers clearly value any modernization efforts that can improve this set of activities.

Toward this, 87% of buyers value improvements through digital in leveraging financial and non-financial data for better decision-making. Reporting and analytics capabilities are being revolutionized across the enterprise by the opportunities from tapping into unstructured data, to expand input data and indicators for fraud detection and customer acquisition and loyalty programs. Finance and accounting aspires to catch up with the progress already made by customer-facing functions in leveraging broader data sets to improve planning and forecasting activities.

Cost and productivity is another important factor, coming in third as an expected area of impact from digital technologies. HfS believes that intelligent automation technologies will be one of the strongest contributors in driving these cost and productivity efficiencies, by removing manual interventions where required and focusing talent toward more value-adding work.

Enterprises are exploring how to embed automation across the finance function’s key processes, including order to cash, record to report, financial planning and analysis, procure to pay, and order management. During our research, Genpact shared an example in which it helped a hospitality company automate its accounts receivable processes. The client had decentralized, complex, paper-intensive, manual AR processes with 85% dispute rates and slow billing/payment cycles. Genpact consolidated and standardized processes across the client’s properties and implemented Electronic Invoice Presentment and Payment (EIPP). This resulted in $60 million in working capital improvements, a 60% increase in labor productivity, 32% reduction in collection cycle time and 75% reduction in invoice creation cycle time.
Frustration Simmers as Finance Professionals Struggle to Make Digital Progress

Our study finds that a significant percentage of F&A leaders acknowledge the lack of impact in digital technology enablement in their F&A service delivery, voicing varying levels of discontent. Roughly half (48%) of the survey participants are not satisfied with the level of impact that digital technologies are making to their F&A processes today (see Exhibit 5).

An F&A leader reports on the current state, “In some of our processes such as audit, we have been very slow to embrace new technologies and are still very manual and paper based. These are probably the last areas that would progress, due to the talent having a historical mindset...with audits, unless they see physical signatures, they would think the documents don’t exist!” This example brings out a fundamental vector for driving change. There is a need not just for increasing the use of technology, but for creating a culture from the top down that steps outside the current process to consider what they want to be able to achieve (e.g., faster cycle times) and explore what they could possibly do differently, putting aside conventions like physical signatures.

Notably, senior management is far more satisfied with the current digital landscape—18% vs. just 3% of middle management are very satisfied. We see this as a significant disconnect with the experiences of the operational layer that runs day-to-day processes and senses the technology gap. Only 10% of the mid-layer are very satisfied with the level of digital enablement in their FP&A operations.

In particular, FP&A, order to cash and audit processes emerged as key areas of dissatisfaction (see Exhibit 5a). The head of finance technology at a global banking and financial services enterprise shares, “Some of this has to do with generational-influenced intellectual curiosity, and the types of job responsibilities they have. We create committee reports for senior management, and they just want thick, printed reports with all the financials and some commentary. I could roll out the slickest front-end reporting interface with all the-slice and-dice possible, but there’s a class here that’s just not going to use it or value it. Instead the visualizations we’re targeting for our new project will be for the mid-layer—they want the data in front of them to go in and explore dynamically. It’s a very different paradigm that’s working its way through the finance function and it’s not at the senior levels yet.”
### Exhibit 5: The Digital Divide—To Sink or To Swim

**How satisfied are you with the impact of digital technologies in your F&A processes today?**

<table>
<thead>
<tr>
<th>Category</th>
<th>Very Unsatisfied</th>
<th>Unsatisfied</th>
<th>Neutral</th>
<th>Satisfied</th>
<th>Very Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record to Report</td>
<td>11%</td>
<td>3%</td>
<td>35%</td>
<td>46%</td>
<td>7%</td>
</tr>
<tr>
<td>Overall</td>
<td>13%</td>
<td>13%</td>
<td>34%</td>
<td>44%</td>
<td>8%</td>
</tr>
<tr>
<td>Order to Cash</td>
<td>9%</td>
<td>9%</td>
<td>37%</td>
<td>45%</td>
<td>7%</td>
</tr>
<tr>
<td>Financial Planning &amp; Analysis</td>
<td>13%</td>
<td>13%</td>
<td>30%</td>
<td>40%</td>
<td>12%</td>
</tr>
<tr>
<td>Procure to Pay</td>
<td>14%</td>
<td>14%</td>
<td>34%</td>
<td>41%</td>
<td>10%</td>
</tr>
<tr>
<td>Treasury, Budgeting</td>
<td>15%</td>
<td>15%</td>
<td>33%</td>
<td>41%</td>
<td>10%</td>
</tr>
<tr>
<td>Audit</td>
<td>8%</td>
<td>8%</td>
<td>40%</td>
<td>44%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
So far, investments have been in the most mature technologies—cloud-based or SaaS platforms and analytics and big data tools and applications (see Exhibit 6). Buyers provided examples, such as investing in streamlining and automating parts of management reporting and analysis tasks, that have resulted in speeding up processes and freeing up staff time. For example, instead of having to create error-prone, bottoms-up, spreadsheet-based budgets, an insurance company’s finance team can now spend more time negotiating and analyzing auto-created 12-month budgets and forecasts.

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
Exhibit 6: Very Few Investing in Digital Components to get Ahead of the Curve

What have been your investments so far in embedding Digital components into your F&A processes?

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimal/no Investment</th>
<th>Some investment, but not enough</th>
<th>About the right amount for today’s needs</th>
<th>Investing heavily to get ahead of the curve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud-based/SaaS platforms upon which to build shareable digital capabilities</td>
<td>13%</td>
<td>30%</td>
<td>43%</td>
<td>14%</td>
</tr>
<tr>
<td>Analytics and big data tools and applications</td>
<td>8%</td>
<td>38%</td>
<td>39%</td>
<td>15%</td>
</tr>
<tr>
<td>Mobility tools and applications</td>
<td>11%</td>
<td>36%</td>
<td>41%</td>
<td>11%</td>
</tr>
<tr>
<td>Interactive/collaborative tools, applications and social media</td>
<td>14%</td>
<td>35%</td>
<td>42%</td>
<td>10%</td>
</tr>
<tr>
<td>Cognitive computing platforms and machine learning</td>
<td>35%</td>
<td>23%</td>
<td>33%</td>
<td>10%</td>
</tr>
<tr>
<td>Robotic process automation (RPA) tools and applications</td>
<td>31%</td>
<td>34%</td>
<td>26%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers

F&A leaders have seen investments in these categories for other business functions such as HR and marketing where modern technology platforms and analytical insight generation have unlocked significant business benefits in the last few years. This adoption wave is now coming to finance in a bigger way, while other technologies such as mobility tools are yet to see relevant use cases for the business function. Cognitive computing and RPA tools are also perceived as nascent in F&A, resulting in either sub-par or no investments today.
Notably, most buyers feel they are either investing just about enough or less than average in digital enablement. Very few buyers feel as though they are investing heavily to get ahead of the curve on embedding digital components into F&A processes. Instead, most are making small, focused efforts to kick-start the digital agenda, but it’s either at par or below what is perceived to be the industry average.

Enterprises that are satisfied with the impact of digital technologies in their finance processes have invested more than dissatisfied respondents in analytics and big data tools (23% vs. 6%), cloud-based/SaaS platforms (21% vs. 6%), mobility tools (19% vs. 3%) and cognitive computing (17% vs. 2%).

So what is holding buyers back? Fifty-one percent cite budget as one of their top-three challenges, with about one in four rating the lack of budget as their number one obstacle in achieving more F&A business impact through digital. Comparing across industry verticals, banking and financial services enterprises are least plagued by budget restrictions, while most others are, including healthcare and life sciences, manufacturing, energy utilities and telecom buyers. As one buyer rationalized, “While in finance we can create the most compelling business cases for digital, the organization is more likely to channel investment into things that more directly translate to revenue growth.” This creates more of an imperative for service providers to put the first foot forward and invest in upgrading their own digital-driven F&A capabilities, because buyers are constrained to develop them on their own. Other challenges buyers rated as their top three include the lack of process standardization (48%), co-ordination between IT and business (38%) and dealing with legacy systems (33%).

How to Get to the Promised Land of Digital F&A

Tying Digital Initiatives to Key Business Drivers

The beacon on the path to the promised land of digital F&A is in going back to the key business drivers that F&A leaders seek from embedding digital functionalities. Our survey shows that these drivers all revolve around process optimization. Participants want to achieve this through three levers that they consider most important: improving operational insights to increase productivity (92%), gain operational efficiency to refocus staff on value-adding activities (88%) and breaking away from legacy technology that is holding back the organization (83%).

Finance leaders are less focused on using digital to replace staff and lower new hires, and instead more interested in augmenting their existing staffs’ activities toward better productivity and operational efficiency. Employees’ mobility experiences are comparatively the least important business driver for buyers today in and of itself. We believe this is because mobility will have to be rooted in a business case that focuses on other drivers that are considered more important (e.g., how enabling mobility for reporting tasks improves the turnaround time for planning and analysis).
### Thinking about the adoption of digital technologies, how important would you say the following business drivers are to your finance organization?

<table>
<thead>
<tr>
<th>Business Driver</th>
<th>No Importance at All</th>
<th>Minimal Importance</th>
<th>Some Importance</th>
<th>Huge Importance</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve operational insights to increase productivity</td>
<td>35%</td>
<td>57%</td>
<td>7%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Gain operational efficiency to help staff focus on higher value activities</td>
<td>39%</td>
<td>49%</td>
<td>10%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Break from legacy technology that is holding back our organization</td>
<td>32%</td>
<td>51%</td>
<td>15%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Create a more analytical culture among staff</td>
<td>31%</td>
<td>52%</td>
<td>16%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Enhance our collaborative capability with our customers and partners</td>
<td>30%</td>
<td>52%</td>
<td>17%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Promote more creative thinking and collaboration among staff</td>
<td>23%</td>
<td>59%</td>
<td>17%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Expand market insights to improve competitiveness and growth opportunities</td>
<td>31%</td>
<td>49%</td>
<td>19%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Lessen the need to keep hiring new staff to support business growth</td>
<td>19%</td>
<td>56%</td>
<td>23%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Improve the mobility experience of employees</td>
<td>23%</td>
<td>47%</td>
<td>29%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
When comparing participants that have outsourcing engagements in place for one or more F&A processes, we find that non-outsourcers have stronger business pressures around operational efficiency. These companies have not gone through the process consolidation, automation and optimization transformations that outsourcing engagements typically necessitate. They face more pressure (42% vs. 34% of outsourcers) to gain operational efficiency, improve their employees’ mobility experiences (29% vs. 13%) and notably, lessen the need for hiring to support business growth (23% vs. 13%).

Next, finance professionals with ‘VP & Below’ designations have a far stronger need for operational efficiency and a data-driven business—these professionals want to establish a more analytics-focused culture, and gain enough operational efficiency to free up staff for more complex tasks (45% consider operational efficiency as hugely important vs. 27% senior management).

**A Glimpse into 2018 Expectations and How Buyers Plan to Get There**

With the mid-layer driving change upwards in a more aggressive manner, F&A leaders expect to see a vastly different level of impact of all digital technologies in two years’ time. They expect cognitive computing platforms and machine learning to make the biggest jump, from 44% to 67% respondents believing it will have some or major impact to F&A processes. According to a US F&A leader, “When cognitive tools really kick in, that will change F&A. We’ll be able to train software to do a lot of the problem solving and error spotting that we do manually today that is so time consuming.”

RPA tools and applications see a significant jump, from 34% to 58%, leading us to believe that services buyers still haven’t seen enough business cases for finance and accounting as of today, but acknowledge the potential for the future. Next, security, trust and confidence in digital-powered solutions have come to the forefront of F&A leaders’ attention in the last two years, and they expect the focus to increase in the next two years. This is an indicator of the types of obstacles that service providers will face when they bring any new technology-based solutions to the table. Solutions will need to have a strong foundational layer around holistic security infrastructure and data protection, for both access control and cloud hosting security.
Exhibit 8: Big Changes Expected Between Now and In Two Years Time

In your experience, how much impact are the following digital components having on your F&A processes? (Now and in 2 years – Just Major and Some Impact)

- **Trust and security**: 78% now, 86% in two years
- **Analytics and big data tools and applications**: 72% now, 86% in two years
- **Interactive/collaborative tools, applications, and social media**: 69% now, 85% in two years
- **Cloud-based/SaaS platforms upon which to build shareable digital capabilities**: 67% now, 89% in two years
- **Mobility tools and applications**: 64% now, 84% in two years
- **Cognitive computing platforms and machine learning**: 44% now, 67% in two years
- **Robotic process automation (RPA) tools and applications**: 34% now, 58% in two years

Source: HfS Research, 2016; Sample – 160 Enterprise F&A Buyers
These heightened expectations for the next two years are in sharp contrast to the on-the-ground reality for most enterprises. Currently, services buyers are not making many definitive plans to invest in digital F&A initiatives, with most still considering options, undecided, or without plans. That said, analytics tools and skills (30%) and a mix of internal (29%) and external IT talent (28%) are the biggest investment areas to help migrate away from legacy processes.

While there are few action plans, we see a large section of participants indicate that they are considering investing in initiatives that HfS refers to as change management ideals, which are foundational in the evolution to the As-a-Service Enterprise. These include undertaking design thinking with a service partner (44% considering), and talent-related initiatives such as developing digital competencies for mid-senior staff (50% considering), and retraining operations talent to redesign finance processes (44%). When comparing senior against middle management, senior management see an increasing need to understand Lean principles (38% vs 18%) and the application of design thinking (33% vs 15%) to gain more value from their finance professionals.

Interestingly, 40% of services buyers are considering replacing their existing legacy service providers with a digitally competent one. This follows Exhibit 3, where roughly three out of four buyers believe that service providers that fail to embed more digital capabilities within their F&A operations will see their value proposition fade away. Senior management and middle management equally share these views, as do companies that outsource and those that don’t, making it a broad expectation; even first-time outsourcers expect to see the value-adding digital components that mature buyers are starting to explore today.
What are Digital F&A Pioneers Doing Differently?

We can conclude from our study that most enterprises are at the start of their digital journey for finance and accounting, with very few current investments, results or definitive plans of actions across the board. And yet, there is a small subset of finance leaders that are pulling away and seeing more significant results—those participants that are Very Satisfied with the current impact of digital on their F&A processes (see Exhibit 5). Dubbing them the Digital F&A Pioneers, we examined their behavioral characteristics against everyone else and distilled the following differentiators:

» They expect a much bigger impact in the next two years and are accordingly investing more: 32% of services buyers that are satisfied with their digital F&A vs. 20% non-satisfied believe that the adoption of digital will result in a huge impact on cost and productivity. Further, these Pioneers are investing ahead of the curve on all technologies. Having already seen initial signs of success and improvement in F&A operations is making them more confident of the impact in two years’ time, especially on mobility tools where 46% of satisfied respondents vs 24% of other respondents anticipate major impact.

» They are significantly more focused on data-driven collaboration: 38% of the Digital F&A Pioneers vs. just 20% non-satisfied rate the importance of enhancing collaboration with partners/customers highly. Other factors they rate significantly highly is improving employees’ mobility experience (32% vs. 13% non-satisfied), expanding market insights and creating an analytical culture among staff.

» They are better coordinated with IT and don’t see alignment as a key challenge: When comparing major obstacles to achieving digital impact in F&A, the Pioneers are less worried about business alignment, suggesting that getting IT on board is a key foundational step. Fewer Digital F&A Pioneers ranked the following obstacles as their top-three challenges: lack of coordination between IT and business units on technology (30% of Pioneers vs. 47% non-satisfied) and the inability to align digital interventions to business outcomes (17% vs. 27%). Instead, they need to overcome the lack of process standardization (63% rated as top three challenges vs. 30% of the non-satisfied). Budget restrictions are a challenge across the board, but even here, the Pioneers are slightly less challenged (46% vs. 55% non-satisfied).

» Their top-five definitive plans of action involve digital talent expansion: These services buyers will be investing in:
  1. Both internal and external IT to write off legacy systems
  2. Analytics tools and skills
  3. Specialized external transformation services
  4. New talent that ‘gets Digital’
  5. Retraining existing internal operations talent to redesign finance processes
Comparatively, non-satisfied buyers have not made as many definitive plans, are more undecided and still in the planning phase, across investment areas.

They have far stronger views on changing talent requirements for future finance professionals: The skillsets they believe will increase significantly in value for the future include the ability to:

- Align and improve end-to-end processes across external and internal delivery (41% pioneers vs. 27% non-satisfied)
- Use digital tech to improve business performance (40% vs. 25%)
- Explore new ways of partnering (39% vs. 17%)
- Understanding Lean principles (33% vs. 16%) and apply design thinking principles (33% vs. 8%)

Final Thoughts

This study demonstrates the growing awareness and optimism within finance professionals, toward a more digitally aligned operational state. It also highlights the stark realities of the low level of investment and execution today, which creates a dangerous middle ground where senior management don’t yet fully appreciate the requisite changes needed to bring accounting, controllership and auditing practices into the digital age. An F&A VP reported on the challenge, “As a company, we’re quite poor at recognizing and understanding how to enable and deliver transformational change. We can identify what’s worked if it’s been demonstrated, but not outlining how to create and enable a program of change and the way it would impact regions and global markets.”

We see a critical role that could be played here by service providers and advisors to help client enterprises articulate the case for digital F&A to senior management. Buyers that are hesitant to make their own investments—and that’s a significant percentage today—will have to explore their current service provider relationships, toward having a strategic managed services partner who can help them create a digital F&A environment in an ongoing, collaborative and trusted model. For some buyers, this will require a realignment of shared services and outsourcing relationships to find and engage digitally competent services partners that are prioritizing this accelerated shift to technology-
enabled finance operations. For the large majority, it will also require a significant cultural and organizational shift in the way that day-to-day F&A is run—how to leverage technology effectively to drive targeted analysis, automated work augmentation and device-agnostic, secure, cloud-based processes moving forward.

Concepts such as the use of design thinking can help teams step outside the everyday and take a facilitated, open-minded approach to change. Pioneering F&A leaders recognize the need to align and improve end-to-end processes across external and internal delivery, and seek finance talent that inherently “gets” this paradigm. So the good news is that change is coming, and finance professionals, especially at the operational layer, couldn’t be more ready.
Appendix

HfS Research surveyed 380 participants as part of this project. The field work was conducted in the months of December 2015 and January 2016. Finance professionals, members of the service provider community and sourcing advisors were asked about the current and future state of operations within finance departments. Specifically looking at the impact digital is having on finance processes, by influencing business models, customer behaviors, front, middle and back office operations and global supply chains.

Exhibit 9 gives the breakdown of survey respondents by the main groups they represent – whether they are a buyer or user of business/IT services, a provider of these services or an advisor/analyst.

Exhibit 10 gives the breakdown of buyer group of respondents by industry.

Source: HfSR, 2016
For the purposes of the analysis and to give us large enough set for comparison we combined some of the industries together. Exhibit 11 shows the macro industry categories used for the analysis.

**Exhibit 11: Buyer Respondents by Macro Industry**

- BFSI & Capital Markets, 30%
- Manufacturing, 25%
- Others, 32%
- Healthcare & Life Sciences, 4%
- Energies, Utilities & Telecom, 9%

Source: HfSResearch, 2016

Exhibit 12 gives the breakdown of buyer group of respondents by company size.

**Exhibit 12: Buyer Respondents by Company Size**

- Less than $1B, 9%
- Between $1B & $5B, 28%
- Between $5B & $10B, 25%
- Greater than $10B, 37%
- Non-Profit, 1%

Source: HfSResearch, 2016
For the purposes of the analysis we grouped the enterprise size groups together. Exhibit 13 shows the macro enterprise size categories used for the analysis.

Exhibit 13: Buyer Respondents by Macro Company Size Groups

- <$5B, 40%
- >$5B, 60%

Source: HfSResearch, 2016

Exhibit 14 gives the breakdown of buyer group of respondents by job title.

Exhibit 14: Buyer Respondents by Job Title

- CEO, C-Level or Executive Vice President, 16%
- Senior Vice President, Function Head, 17%
- Vice President, 19%
- Director, 37%
- Manager, 7%
- Other (please specify), 4%

Source: HfSResearch, 2016
For the purposes of the analysis and to see the difference between middle and senior management perspective we combined the job titles groups together. Exhibit 15 shows the macro job title categories used for the analysis.

Exhibit 15: Buyer Respondents by Macro Job Title Groups

Source: HfSResearch, 2016

Exhibit 16 gives the breakdown of buyer group of respondents by location.

Exhibit 16: Buyer Respondents by location

Source: HfSResearch, 2016
For the purposes of the analysis and to see the difference between major regions we combined some of the location groups together. Exhibit 17 shows the macro location categories used for the analysis.

Exhibit 17 Buyer Respondents by Macro Location Groups

- North America, 56%
- EMEA, 24%
- Asia Pacific, 19%

Source: HfSResearch, 2016
About the Authors

Reetika Joshi

Reetika Joshi is a Research Director at HfS Research. She currently tracks verticalized technology-enabled operations in insurance and banking and financial services. Her research coverage also includes enterprise analytics services and its evolution toward Accessible & Actionable Data within client organizations. She regularly contributes to HfS’ research content in the form of HfS Blueprint reports, PoVs and Soundbites. She also supports custom research and strategy projects; analyzing data, supporting client inquiry, conducting regular discussions and briefings with both buyers and service providers, providing consultative, analytical and expert support to HfS clients.

Prior to HfS, Reetika worked in the sourcing research wing of business research and consulting firm ValueNotes. Her responsibilities as Project Manager included research product design and development, managing custom research engagements, developing thought leadership through targeted content and community interaction, and business development support. She was also responsible for driving the unit’s web and social media strategy and presence.

Based in Cambridge, MA, Reetika has undertaken several research assignments across the outsourcing spectrum, including market studies in niche areas such as analytics, medical transcription, market research and e-learning. She has delivered bespoke research engagements including competitive intelligence studies, market and investment opportunity assessments, demand-side surveys and marketing communication optimization for global IT and business operations buyers, providers, consultants and investors. Her work has appeared in many industry-relevant publications and websites, including Outsourcing magazine, Global Services Media and the Horses for Sources blog. She has presented her views at various industry conferences and webcasts.

Reetika has completed her Masters in Marketing Management with distinction from Aston University, UK, receiving Beta Gamma Sigma honors. Prior to this, she received her Bachelor’s in Business Administration with distinction from Symbiosis International University, India.

On a more personal note, she enjoys reading fantasy series, travelling to world heritage sites and strategy/simulation gaming.

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Phil Fersht

Phil Fersht is Founder, CEO and Industry Analyst for leading global analyst authority for the services industry, HfS Research. He is an acclaimed author, analyst and visionary in Global IT services and business operations and has been focusing heavily on automation, cognitive computing and evolving “Digital talent” strategies. Fersht coined the term “The As-a-Service Economy,” which is HfS Research’s vision for the future of the global services and outsourcing industry and has become widely adopted by the global services industry.

Fersht founded HfS Research in 2010 and has masterminded the development of the HfS organization as a leading analyst for the firm, in addition to steering the business operations. He is also author and creator of the most widely-read and acclaimed blog in the global services industry, entitled “Horses for Sources” and now entering its ninth year, attracting over a million visits per year across the globe. At HfS, he directs the firm’s research, advisory and global knowledge community, which today totals over 100,000 professionals and is served by a growing and widely respected global analyst team. HfS has been named Analyst Firm of the Year for 2016, alongside Gartner and Forrester, by leading analyst observer InfluencerRelations.com.

Over the past 20 years, Fersht has lived and worked in Europe, North America and Asia, where he has advised on hundreds of operations strategy, outsourcing, and global business services engagements. During his career, Phil Fersht has worked at Gartner Inc. (AMR Research), directing the firm’s BPO and IT Services practices and served as market leader for Deloitte Consulting’s BPO Advisory Services, where he led numerous outsourcing and offshoring advisory engagements with Fortune 500 enterprises. He began his career with IT analyst IDC.

Fersht contributes regularly to media such as Wall St Journal, Business Week, Economist, The Times of India and CIO Magazine and is a regular keynote speaker at major industry events, such as NASSCOM, Sourcing Interests Group and the HfS Blueprint Sessions.

He received a Bachelor of Science, with Honors, in European Business & Technology from Coventry University, United Kingdom and a Diplôme Universitaire de Technologie in Business & Technology from the University of Grenoble, France. He also has a diploma from the Market Research Society in the United Kingdom.

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Jamie Snowdon

Jamie Snowdon has primary responsibility for overseeing the development of HfS’ Quarterly Market Index, in addition to managing and developing the firm’s data-centric products and services. He works across the HfS analyst teams to define evolving services markets and create market size estimates and forecasts. He also manages HfS’ quantitative survey and benchmark data.

Jamie has over seventeen years experience in the IT and Business Services industry. In that time he has worked in a variety of roles including sales, marketing, consulting and as an industry analyst. Jamie’s analyst career has largely been spent conducting data analysis including market size/forecast models, quantitative/qualitative survey analysis and competitive analysis.

Prior to HfS, Jamie worked for UK-based analyst firm Nelson-Hall as a Research Director, conducting vendor and market analysis within the IT and Business Services community. Prior to Nelson-Hall, Jamie spent seven years at IDC, where he was the European consulting director for IDC’s services group, managing all of their bespoke research. Jamie specialized in delivering custom market forecast models and forecasting tools tailored to his client’s individual needs. In addition, Jamie ran IDC’s European outsourcing research, covering both IT and business process outsourcing. Jamie has wide industry knowledge covering IT consulting, enterprise applications, IT & business process outsourcing, desktop & network services, equipment maintenance, and business continuity.

Earlier in his analyst career, Jamie spent four and a half years at the IT services research specialist INPUT in a mixture of marketing and analysis roles. He left as the UK operations manager having spent two years as a customer services industry analyst. Jamie completed his graduate training at one of the UK’s leading electronic and IT distribution companies.

Jamie’s passion is learning; he holds university degrees in general science (computing), law and has a post graduate diploma in legal practice. He lives in Twickenham, London with his partner (and soon to be wife), step daughter and Lucky the cat. His other loves include cycling, reading trashy sci-fi, cool technology and the perfect pint.

You can find him on Twitter at @TheWizeOne and via email at Jamie.Snowdon@HfSresearch.com.
About HfS Research

HfS Research is The Services Research Company™—the leading analyst authority and global community for business operations and IT services. The firm helps enterprises validate their global operating models with world-class research and peer networking.

HfS Research coined the term The As-a-Service Economy to illustrate the challenges and opportunities facing enterprises needing to re-architect their operations to thrive in an age of digital disruption, while grappling with an increasingly complex global business environment. HfS created the Eight Ideals of Being As-a-Service as a guiding framework to help service buyers and providers address these challenges and seize the initiative.

With specific focus on the digitization of business processes, intelligent automation and outsourcing, HfS has deep industry expertise in healthcare, life sciences, retail, manufacturing, energy, utilities, telecommunications and financial services. HfS uses its groundbreaking Blueprint Methodology™ to evaluate the ability of service and technology providers to innovate and execute the Eight Ideals.

HfS facilitates a thriving and dynamic global community of more than 100,000 active subscribers, which adds richness to its research. In addition, HfS holds several Service Leaders Summits every year, bringing together senior service buyers, providers and technology suppliers in an intimate forum to develop collective recommendations for the industry and add depth to the firm's research publications and analyst offerings.

Now in its tenth year of publication, HfS Research’s acclaimed blog Horses for Sources is the most widely read and trusted destination for unfettered collective insight, research and open debate about sourcing industry issues and developments. Horses for Sources and the HfS network of sites receive more than a million web visits a year.

*HfS was named Analyst Firm of the Year for 2016, alongside Gartner and Forrester, by leading analyst observer InfluencerRelations.*
About the Genpact Research Institute

The Genpact Research Institute is a specialized think tank harnessing the collective intelligence of Genpact – as the leading business process services provider worldwide – its ecosystem of clients and partners, and thousands of process operations experts. The Institute examines new trends that influence the evolution of strategically important operating models, helping our client’s business. The Institute combines Genpact’s deep expertise in process management, analytics, and technology with the insights of our research partners and clients. Projects are led by leaders and subject matter experts from Genpact’s offices around the world. These teams also draw on a global network of external partners and industry experts, and benefit from our extensive connection with hundreds of large clients globally. For more information, see http://www.genpact.com/home/about-us/research-institute.

About Genpact

Genpact (NYSE: G) stands for “generating business impact.” We are a global leader in digitally-powered business process management and services. We architect the Lean DigitalSM enterprise through our patented Smart Enterprise Processes (SEPSM) framework that reimagines our clients’ operating model end-to-end, including the middle and back offices. This creates Intelligent OperationsSM that we help design, transform, and run. The impact on our clients is a high return on transformation investments through growth, efficiency, and business agility. For two decades, first as a General Electric division and later as an independent company, we have been passionately serving our clients. Today, we generate impact for a few hundred strategic clients, including approximately one-fifth of the Fortune Global 500, and have grown to over 70,000 people in 25 countries, with key offices in New York City. The resulting business process and industry domain expertise and experience running complex operations are a unique heritage and focus that help us drive the best choices across technology, analytics, and organizational design. For additional information, visit www.genpact.com. Follow Genpact on Twitter, Facebook, LinkedIn, and YouTube.

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