Innovation in Financial Reporting

Global Survey 2018

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Dear Colleagues,

FSN's "Innovation in Financial Reporting" Survey 2018 concludes a year in which the role of innovation in the modern finance function has been front of mind. This survey builds on earlier research about attitudes to innovation in the finance function and fascinatingly highlights that innovation in reporting is at the vanguard of the finance function's attempts to modernize.

Almost half (46%) of respondents to this global survey said they had made innovative changes to their reporting procedures over the last three years compared to just 37% in FSN's earlier survey, "Innovation in the Finance Function" 2018, that had implemented innovations across the finance function as a whole.

Crucially, this report underlines the importance that innovation plays as finance professionals seek to transition from their traditional role in financial stewardship and good governance to a more outward facing role as strategic advisor and business partner to the rest of the C-Suite. Broadly speaking, innovation in reporting releases more time for finance professionals to devote to the delivery of business insight and growth.

However, the report reveals that for the vast majority of finance functions there has been little improvement in their effectiveness (time to close the books, speed and accuracy of reforecasting) over the last three years. Most finance professionals remain mired in fractured systems and processes with data scattered to all four corners of the organization. And this is against the backcloth of steadily falling finance headcount and rapidly increasing demands on time, such as regulatory and statutory reporting as well as meeting the demands of more complex and diverse reporting needs.

Yet the report also shines a light on the qualities and conditions that lead to superior performance and finds that mastery of finance data holds the key to everything else. The study reveals a steady progression along what we call the 'data maturity curve' from "data over-loaded" finance functions at one extreme to "data masters" at the other. An organization's positioning along this curve determines to a very large extent the ability of the finance function to liberate itself from the drudgery of, data capture and manipulation, to a situation where report production is largely automated.

The link between finance function performance and data-mastery is compelling. According to the survey, the biggest challenge to collaboration in reporting for all groups is everyone working off different reporting and not having 'one version of the truth'. However, data masters were considerably less impacted by this, with only 46% affected, compared with 73% of the data overloaded.

But most compelling of all is that data masters have time to add value. Data masters were far more efficient than those at the outset of their data journey, and could spend more time than their counterparts on value-added activities like analysis, risk management and performance management.

This adds more value where it's needed the most – in the boardroom. Data masters were far more likely to consider that their reporting supports the workings of the board compared with those CFOs that describe themselves as data overloaded. What is more, 60% of finance functions which deemed themselves to be data masters have worked on innovative financial reporting projects over the last 3 years. More than any other group.

We hope that you find the survey's findings set out in this document thought-provoking and interesting. But above all we hope that the contents of this report inspire you to strive to be data masters and to discuss reporting innovation in your own organization.

Gary Simon

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CEO FSN & Leader of the Modern Finance Forum

Executive Summary

How do CFOs justify investment when they get the job done (despite inefficient tools)

Financial reporting has made little headway over the past year. CFOs and senior finance professionals still have to produce accurate and timely reports despite error-prone and poorly controlled spreadsheets, difficulty obtaining the right data and a relentless increase in the number of reports.

And yet despite some very clear obstacles, 64% of survey respondents said they never miss a reporting deadline. By sheer effort of will, and often a mountain of overtime, finance professionals manage to produce the growing number of regulatory and management reports required of the business.

The 'can-do' attitude of the finance function is obviously laudable, but it raises the question of whether they are making it harder to convince the board of the need for investment when the job is clearly being done. A lack of funding support from the rest of the board and the inability to make a compelling business case for change are two major obstacles to reporting innovation. These are compounded by cultural failings, in-house politics and a lack of tech-savvy talent.

Without investment in innovation in the finance function, CFOs will have to keep pushing their personnel to find time-consuming, inefficient and costly ways to meet deadlines for the growing mountain of reports. But they must convince the board without dropping the reporting ball first.

Going nowhere fast

The time it takes to close the books or reforecast has changed little since the previous FSN survey of finance efficiency. Only the accuracy of revenue forecasts has shown any improvement since 2016. Back then 40% of finance executives were able to forecast to within plus or minus 5% accuracy, and this has risen to 42% in 2017 and 46% in 2018.

But the improvement in accuracy isn't being achieved by an improvement in technology or innovation, rather this is being achieved by more frequent reforecasting, mainly in response to considerable market uncertainty. This may have the desired outcome of better accuracy, but without a commensurate improvement in efficiency, reforecasting just adds to the already substantial burden shouldered by finance professionals who do whatever it takes to get their job done.

Finance functions have made little headway in reducing the time taken to reforecast and time to close their books since the prior year. The only improvement has been in the accuracy of forecasting, which is due to more frequent forecasting in response to market uncertainty as opposed to improved processes.

Other basic measures of efficiency also remain in the doldrums. Only 60% of organizations asserted that their data is always accurate and trustworthy, leaving 40% to base their reports on potentially inaccurate information. And only 44% said their spreadsheets used in the reporting process are well controlled and error-free. Considering spreadsheets are the most prolific tool in the reporting process, the 56% who can't control their spreadsheets will have difficulty ensuring their reports are on time and accurate.

This current state of reporting is broadly in line with last year's survey results, and the problem is likely to get worse for the 37% of CFOs who said the number of reports is growing "uncontrollably".

Making the case for investment

There is clearly a need for investment in the finance function, not just because the reporting burden is growing, but equally because there is much more value to be gleaned from properly harnessing the information within.

But there are many obstacles to convincing the board to invest in back-office functions, and at the forefront of these is the difficulty in proving a return. Front-office investment usually drives obvious top-line sales, but the benefits of finance investment are often intangible. In FSN's recent research Innovation in the Finance Function, just a quarter of CFOs believed that traditional methods of return on investment (ROI) are suitable for measuring innovation success. Meanwhile 70% say that traditional methods of ROI do not capture adequately the intangible benefits of digital innovation.

The upshot of this investment inertia is that finance functions are unable to add value where it matters most – in the boardroom. The dynamic boardroom, where reporting is fluid and can respond to new agenda items at short notice, remains elusive. Just 32% of CFOs believe they able to provide this level of insight and value.

54% of CFOs said their boardroom experience is responsive to ad-hoc queries and 42% can provide forward-looking insights and accommodate new information requirements. But the dynamic boardroom is the pinnacle of an efficient and productive finance function equipped with the right tools to deliver insight and value.

CFOs are aware there is a shortfall in value-added boardrooms. 42% of CFOs strongly agree they should be putting more focus on innovation to "drive better insights about the business". 37% vigorously believe they need to bring data into one single unified reporting environment, and a third believe strongly that innovation should help to automate and accelerate the reporting process. This will inevitably free up time for more value-added activities.

The issue of finance investment remains a catch 22. Reporting deadlines are met so investment is not prioritized in the boardroom, but that limits the value the finance function can add to boardroom decision-making. CFOs need to find new ways to measure returns so they can make a compelling case for innovation, or risk more years of inefficient, time-consuming report production.

Finding the time – are you managing the data explosion efficiently?

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The data revolution has been a double-edged sword for the finance function. At its most advantageous it provides an inspiring level of insight that would never have been gleaned from the simple capabilities of the past. But at its most pernicious this insight is often buried within lumbering systems scattered to the many corners of a business with little or no order and functionality.

This has meant senior finance executives spending inordinate amounts of time collecting, collating, cleaning and manipulating data. And the need to compete effectively and respond to increasing regulation can only mean the data requirements will increase along with the demands on CFOs time.

The times they are a-changin'

In comparison to last year's financial reporting survey, the main difference is that the amount of time spent on data collection has risen relative to the time spent on cleaning and manipulating.

25% of CFOs said they spend far too much time on data collection, while 23% spend too much time on cleaning and manipulating the data they receive. This compares with 25% and 28% last year. Regulatory and statutory reporting is also occupying far more time than CFOs believe it should, with 13% complaining of this burden, compared with just 9% last year.

This is the first time that FSN has found that more effort has been expended on data capture than data manipulation, perhaps pointing to the complexity and variety of data sources that the modern finance function must contend with.

With collecting and collating data for regulatory requirements taking up too much time, CFOs and their senior finance executives still struggle to devote time to analysis and performance management. 27% said they devote the right amount of time to it (compared with 28% last year) but 16% said they spent far too little time on analysis and performance management and a further 40% felt they did not devote quite enough time to really understanding what the data means for their business.

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23% of CFOs said they spend far too much time on cleaning and manipulating the data they receive

13% of CFOs said they spend far too much time on regulatory and statutory reporting

79% of CFOs reported changing business information requirements as the biggest driving force behind the growth in data volumes.

Where is all the data coming from?

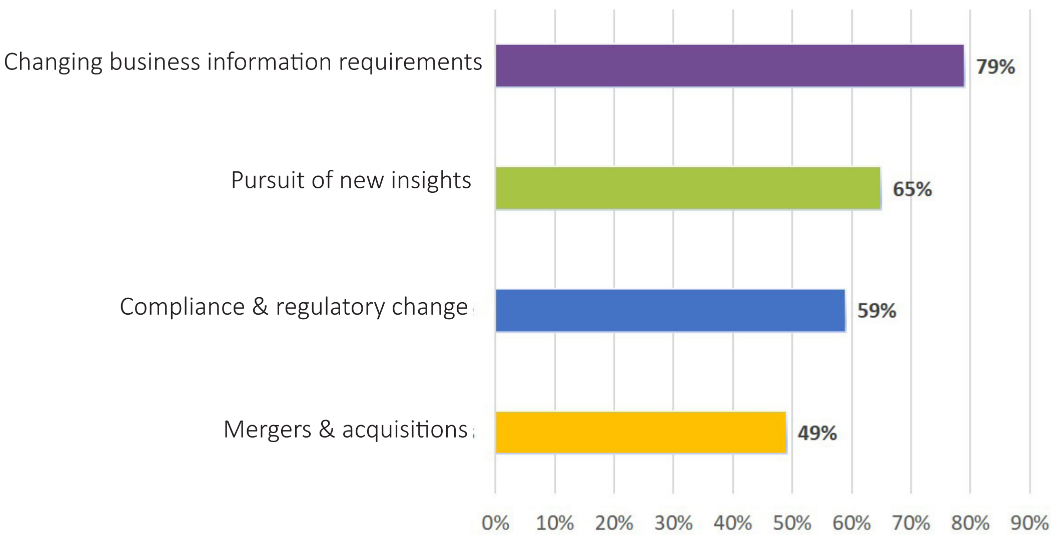
Getting bogged down in data management is a stark reality for most senior finance executives who need more and more information to both tactically and strategically manage their business. Changing business information requirements are the biggest driving force behind the growth in data volumes, with 79% of survey respondents feeling this pressure, while 75% are also battling increased business complexity. Both are symptomatic of the competitive and volatile economic environment that is forcing companies to adjust or overhaul their business models just to stay in the game.

With tech-savvy start-ups nipping at the heels of almost all sectors, 65% of CFOs said financial data volumes were being driven by the pursuit of new insights which have become essential to win customers in the cut-throat world of business. Organizations that coasted along producing just the most basic requisite financial reporting are finding that the minimum of effort is no longer enough. They need to understand new scenarios, analyze larger models to provide the most accurate forecasts, and move quickly when the markets turn. For this they need data and for that they need access to it, time to analyze it and time to make sense of the analysis.

One survey respondent commented that for their company: "manual manipulation and what-if scenarios are the biggest driver of growth in financial data volumes".

For 59% of CFOs, the regulatory burden is adding to data volume growth as compliance requirements grow, while some 49% have also found data volumes elevated after mergers and acquisitions.

Figure 1: Factors driving growth in financial data volumes



Headcount pressure

25% of survey respondents said finance function headcount had decreased in the past year.

The time constraints on CFOs and senior finance executives is becoming more acute not only because data volumes are increasing but there are often fewer people to manage this data explosion. A quarter of survey respondents said finance function headcount had decreased in the past year, continuing the trend established last year when a similar number said their headcount had been decreasing for the previous three years. That puts four years of strain on a shrinking department at a time when data volumes and business complexity are on the rise.

The greater percentage of finance professionals are being lost within financial reporting, with a smaller but still substantial loss of manpower in management reporting.

On the face of it, it is encouraging that 27% of organizations are increasing headcount in the finance function. But this compares unfavorably to last year when 34% of finance functions were adding employees.

Delivering change

For one respondent, the imbalance in time pressures in the reporting process are stark. “It seems that we have created a bureaucratic machine. Reports are produced in 2-3 days and the management accounts for a business unit can be 90 pages long per month. This is a remarkable achievement. However, the balance between standardized reporting requirements and interpretation of said results has become skewed. Finance has lost time to be able to distill key risks or opportunities from the reports, prioritize actions and deliver change.”

To be able to deliver modern processes and strategic change within the finance function takes innovation, even on a small scale. Almost half (46%) of respondents said they had made innovative changes to their reporting procedures over the last three years. This is higher than respondents in FSNs Innovation in the Finance Function survey, which found that 37% had implemented innovations across the function (which includes all areas of finance not just reporting).

"Finance has lost time to be able to distill key risks or opportunities from the reports, prioritize actions and deliver change."

Head of financial reporting, a PLC.

This implies that financial reporting is at the vanguard of the slow but steady march of innovation in the finance function. Some of this may be borne out of necessity as regulatory requirements become more onerous, but also potentially because this is the part of the finance function process that delivers the insight needed to drive the business forward.

Time pressures will only increase as the data burden increases. The only way to ease this pressure is to become more efficient, by bringing all data into a unified environment, improving ways to manage and manipulate the data, and ultimately help drive insights from the wealth of data within, and outside, the finance function.

Data Journey - The financial data maturity curve

Data Journey - The financial data maturity curve (Figure3)

79% of organizations are yet to master data

Where once a slim general ledger sufficed, the requirements of modern business has created a data explosion that finance functions must make sense of. And every company is on its own financial data journey (figure 2).

A fifth are floundering in an unmanageable wasteland of “data overload”. They have too many data sources, no cohesive way to draw them together, and poor governance of the data when it is available.

More than a quarter (27%) are “data constrained” which means they have difficulty getting hold of the data that will drive insight and decision making, and a further 34% are “technology constrained” meaning they have the data but lack the tech-savvy resources or tools to fully exploit it.

A select few (19%) have nailed the data revolution. They see themselves as “data masters”, actively managing their data as a corporate asset and using the tools and resources at hand to provide insight for that all-important competitive edge.

The financial reporting burden has made it essential for companies to move through the curve to graduate into “data masters”.

Why the urgency?

Economic and political events are moving so fast it has become imperative to get a handle on data. Around every corner is a new regulatory or reporting challenge. Earlier this year it was the General Data Protection Regulation, a major regulatory shift that CFOs believe could limit the insight they need to drive business performance.

Globally there are more upheavals to come. Organizations are going to have to react to the outcome of the Brexit negotiations, and the impact on trade and regulation could be much larger than expected. Equally worrying will be the impact of trade tariffs imposed by Donald Trump and reciprocated by many of the world’s largest trading blocs, which will affect all businesses globally.

The finance function hasn’t previously needed to deal with this head on. Big data has by and large bypassed the finance world. Big data is the confluence of data volumes, data velocity and the variety of data types. While front-facing functions have been grappling with these issues for several years, the finance function is just starting to feel the impact of much larger data needs.

The inclusion of non-financial data into financial analysis, and the increasing sources of financial data in different formats and from different places, allows companies to delve deeper into the underlying drivers. But it is also making it hard for the finance function to manage the variety of data.

But they have to learn to manage it because big data is what enables finance functions to deliver real insight and offer added value in the boardroom.

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Data journey vs company size.

This year's survey shows that where a company is on their journey is strongly correlated with their size.

The larger the organization the more likely it is to be caught up in the "data overload" stage, with too many data sources and poor data governance. On average 22% of respondents who were overloaded with data had over 1,000 employees, compared with just 7% who had up to 100 employees.

The impact of size on data management is often felt in large organizations. Not only is there a bigger pool of data to draw on, but they are often struggling with legacy systems that make accessing or sharing data more difficult. Smaller companies might find it easier to overhaul their less bulky systems, or may be starting out with more recent technology and agile processes that are the trade-mark of the start-up mentality.

The 27% of CFOs who said they were "data constrained" came from across the spectrum of company size, although the largest proportion who complained of being data constrained were companies with between 5000 and 10,000 employees. It seems getting hold of the data needed to drive insight and decision-making is a common issue across the board.

There was also similar split between large and small companies when it came to not having the tech-savvy tools available to exploit the data already accessed.

But smaller companies were more likely to be "data masters" than their larger counterparts. Only an average of 17% of companies with more than 1000 employees see themselves as "data masters", whereas on average 30% of companies with up to 100 employees actively manage data as an asset and gain a competitive edge from it.

There is clearly a significant difference in the data journeys of large and small companies but that doesn't mean all small companies are "data masters", nor that all big ones are "data constrained". There are ways to improve data management at every stage of a businesses' growth, the key is to keep innovating and investing, because data is only going to get more indispensable.

Figure 2: CFOs were asked to position where their organization is currently positioned along the data maturity journey.

Data Overloaded *– Organizations that have too many data sources and data governance is poor. (Chaos)*

Data constrained *– Organizations that cannot get hold of the data they need to drive insight and decision making.*

Technology constrained *– Organizations that do not have the tech savvy resources or tools to fully exploit data we they have. (Data is packaged but cannot analyze it).*

Data masters *– Data is actively managed as a corporate asset and they have the tools and resources to provide competitive edge and insight.*

79% of organizations are yet to master data

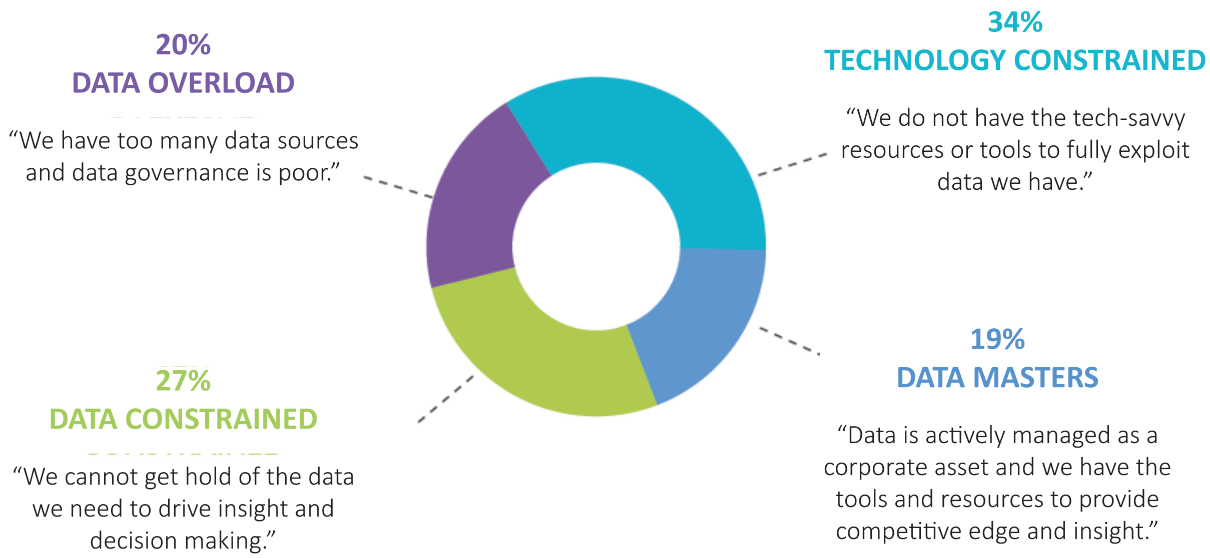
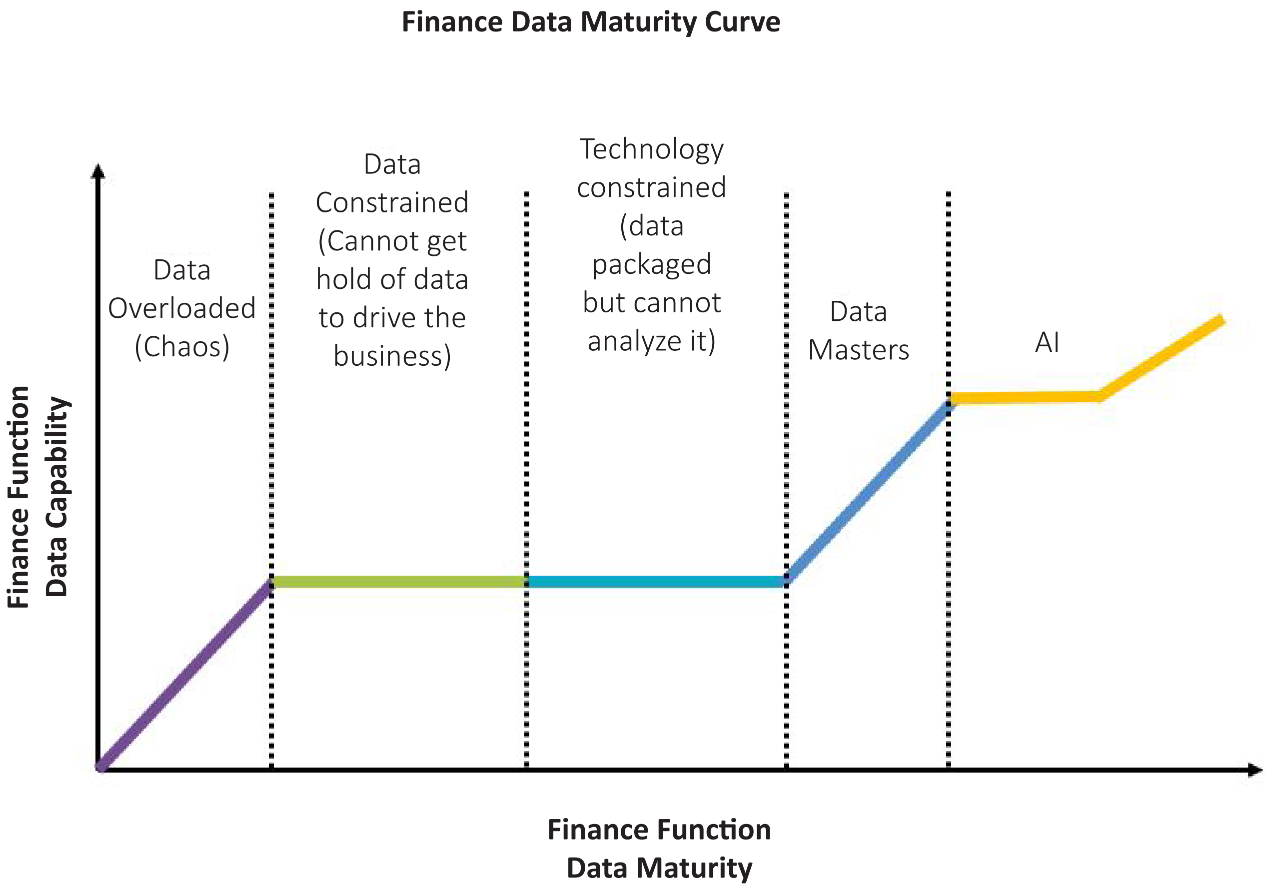


Figure 3: These classifications (figure 2) together form the financial data maturity curve. The further along the maturity model the more the data capability, the better the performance and the more innovative the culture. However, there comes a point at which it does not matter whether an organization is data constrained or technology constrained, there is no real improvement In capability.



Data journey – footprint of a data master

Data journey – footprint of a data master

Data masters significantly outperform other organizations. They can reforecast more quickly, close their books faster and forecast more accurately.

More than 80% of CFOs and senior finance executives are struggling to gain control over their data. Some muddle through the chaos of data overload, others look for the right information and the right technology to harness it, but data masters are actively using it to gain insight and drive growth.

There is good reason to aspire to data mastery – they outperform the other groups significantly across three key financial KPIs. Two thirds of “data masters” can reforecast within a 1 week period, while just 40% of those with “data overload” are able to manage to reforecast in that time.

In addition, 36% of “data masters” can close their books within 3 days, compared with just 10% of those with “data overload”. And 59% of “data masters” can forecast to within +/- 5% accuracy, while just 39% of CFOs who are “data overloaded” are as accurate.

These three key performance measures are a powerful indicator of financial health and efficiency in the finance function, and a very good reason for companies at the start of their journey to work towards data mastery.

In between these two extremes, there is little to separate the data or technology constrained stages on the data maturity curve. Whether an organization is constrained by its data or the unavailability of technology, both are equally inhibiting for performance, and both need to be overcome to fully master finance data.

State of Reporting

Date masters continue to outperform their peers especially when it comes to the state of their reporting process. They are far less likely to miss reporting deadlines and crucially their data is far more accurate and trustworthy.

The ability to proactively manage data puts companies in a very powerful competitive position, enabling them to outperform companies lower down the maturity curve in all metrics of reporting.

Almost half of “data masters” strongly agree that they never miss a reporting deadline, 40% say their data is always accurate and trustworthy, 24% say their spreadsheets are well controlled and error free, 31% can easily trace a number back to its source, 30% can easily see the status of the reporting process at any point in time and just 5% say their reports are growing uncontrollably.

Those that classified themselves as “data overloaded” performed worst across these metrics, while once again in the middle there was little to separate the “data constrained” and “technology constrained” groups.

Clearly having control of their data puts organizations in a far better reporting position, and will enable CFOs and senior finance executives to use their time more effectively and efficiently throughout the reporting process.

Importantly for data masters they have been able to free up time to focus on added value activities and impress in the boardroom.

Time to add value

No matter where companies are on their data maturity journey, they always get the job done. The survey revealed that there was little difference in the amount of time organizations found for document production, regulatory reporting, controls, compliance and risk management.

However, when it came to allocating time to basic data collection and manipulation, “data masters” were far more efficient than those at the outset of their data journey, and could spend more time than their counterparts on value-added activities like analysis, risk management and performance management.

This adds more value where it’s needed the most – in the boardroom. “Data masters” were far more likely to consider that their reporting supports the workings of the board compared with those CFOs that describe themselves as data overloaded. “Data masters” could expand their reporting process as the need arose, deliver forward-looking insights, and provide a dynamic boardroom that responds to new agenda items in a fluid and proactive way.

In addition, 60% of organizations which deemed themselves to be “data masters” have worked on innovative financial reporting projects over the last 3 years. More than any other group.

Overcoming obstacles to reporting.

Technology constrained organizations are most troubled by a lack of technology savvy talent. The problem becomes almost cyclical. The less sophisticated the technology the less able an organization is to attract technology savvy talent and so the less sophisticated the technology.

In the main, “data masters” are least troubled by obstacles to reporting and innovation. Organizational culture was the least likely to hold them back, they had more access to tech-savvy talent than other groups, and importantly they were most likely to be able to make a business case for change.

Those struggling with “data overload” were most challenged by cultural failing and in house politics, as well as the fear of failure. Cultural failings may be affecting data management as it can cause a silo mentality where functions fail to share information and work together. This inability to collaborate makes accessing the right information much more difficult.

However, those that were “technology constrained” were most challenged by a lack of technology savvy talent. They were also unable to make a compelling business case for change, with 15% strongly agreeing that this was an obstacle to reporting innovation. 28% said they suffered from a lack of funding support from the rest of the board. This group are struggling to push through technology initiatives and are being pinned back by this shortfall. They are also struggling to employ the right people to drive these changes.

Open lines of communication

Where collaboration is a key driver of business success, the survey shows that "data masters" are employing more dynamic communication channels. Data masters were far more accepting of instant messenger and text message as a method of communicating with colleagues. That said though, emails, telephone calls and impromptu meetings remained the preferred method of communication across all groups for resolving issues when they arise.

According to the survey, the biggest challenge to collaboration in reporting for all groups is everyone working off different reporting and not having 'one version of the truth'. However "data masters'" were considerably less impacted by this, with only 46% affected, compared with 73% of the "data overloaded", 66% of the "data constrained" and 62% of the "technology constrained" companies.

Collaboration is essential in all companies, especially since the advent of the data revolution. Working towards a single version of the truth, and being open to all forms of communication will help CFOs and their finance functions move towards data mastery.

AI – the next generation

More than a third of survey respondents think the impact of AI technology will not been seen for at least five years.

Where data mastery is today's goal, artificial intelligence and machine learning are the technology goals of the future. Although still in its infancy, CFOs need to be aware of the potential of these new technologies and be actively including them in long-term plans so that they aren't left behind this curve when it joins the mainstream of data maturity.

AI offers finance the ability to automate and accelerate the reporting process, free up time so that finance can focus on important exceptions, and many believe it will offer deeper insight. There is no denying the transformative potential of AI, but it appears many CFOs believe they are a long way from reaping the benefits. More than a third of survey respondents think the impact of AI technology will not been seen for at least five years.

But even if it does come earlier, would we be ready to adopt it? After all, only 20% are data masters now, and would be in any position to take on the next challenge in the near future.

As one respondent commented: "the issue will be not how long it will take for there to be the technology available to have an impact, but how long it will take for your business to redesign its data architecture in such a way as to take advantage of the new capabilities."

AI isn't just around the corner but it's near enough to spur companies at the beginning of the data maturity curve to kick start their journey or be left behind completely.

Collaboration

Collaboration

Business success is built on teamwork, and the success of that team is directly related to the power of its collaboration strategy. The data revolution is adding an urgency to this cooperation because more information is drawn from, and shared across, functions and departments, necessitating better communication and teamwork.

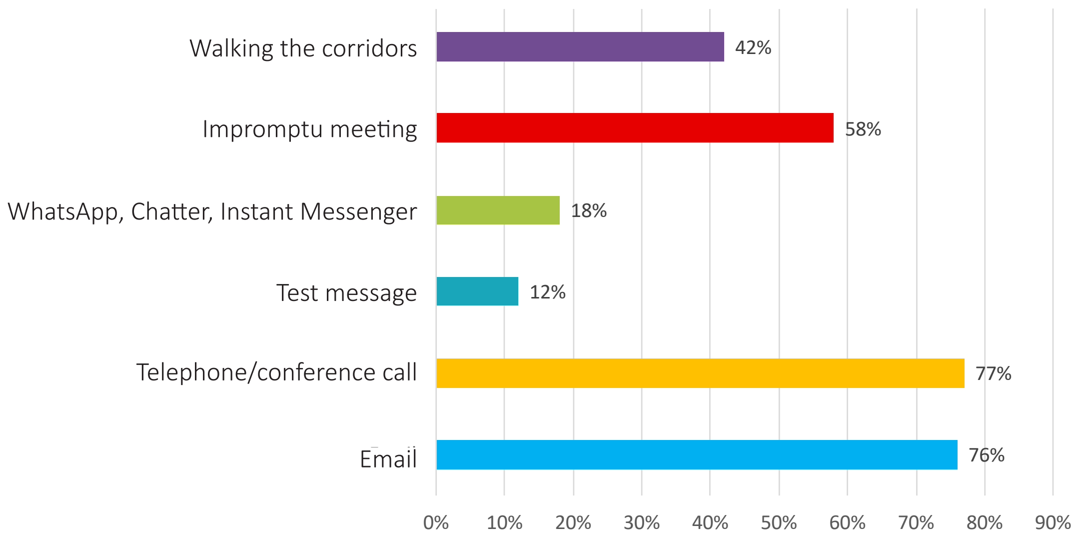
Traditional operational processes that segregated departments by their underlying functions only worked when the process of running a business was formulaic and prescribed. In the agile and changeable marketplace today there is a need to break down the silos of functionality because the data that provides insight to one area of the business is just as likely to come from another area altogether. How organizations communicate when reporting challenges arise affects the efficiency and effectiveness of any solution.

Unsurprisingly email remains the most prolific form of communication within a business, and when things go unexpectedly wrong in reporting, 76% of respondents turn to email to try to resolve an issue while 77% would equally choose to pick up the phone.

Just under 60% would call an impromptu meeting and 42% would walk over to the person they needed to speak in person. Only 17% would turn to innovative technologies such as, instant messenger-type communication (like WhatsApp or chatter), and 12% would choose text messaging.

Email remains the most prolific form of communication within a business, and when things go unexpectedly wrong in reporting, 76% of respondents turn to email to try to resolve an issue. Yet 57% of survey respondents found the constant stream of emails an obstacle to collaboration in reporting.

Figure 4: **When things go unexpectedly wrong in reporting what is your preferred method of communication?**



Obstacles to collaboration

62% of CFOs said they were stymied by not having ‘one version of the truth’ and everyone working off different reports.

Although email may on the face of it be a useful form of collaboration, almost 57% of survey respondents found the constant stream of emails an obstacle to collaboration in reporting.

Consequently, the email train is another constant bugbear in business. 45% of senior finance executives find colleagues starting a new email thread about the same topic a major obstacle to collaboration in reporting.

Multi-way conversations via email are hard enough to manage when you have a coherent train of discussion but stepping off-piste with a new email thread loses the train of thought and the discussion becomes more difficult to follow.

But as frustrating as the torrent of emails is, it is trumped by version control as the most acute stumbling block to collaboration in reporting. 62% of CFOs said they were stymied by not having ‘one version of the truth’ and everyone working off different reports. It is a common refrain amongst CFOs and senior finance executives trying to collate accurate reports while drawing on numerous sources working from different versions of the same document.

The issue arises when organizations work off disparate systems that don’t enable centrally shared documentation (which are usually spreadsheets). The spreadsheet spiral (when issues are papered over by an ever-increasing trail of spreadsheets), remains a problem within the majority of businesses. That’s not to say spreadsheets no longer have a place in the reporting process, but finance executives need to recognize their limitations and work towards a collaborative solution, preferably starting with centralized data sharing.

One survey respondent summed up the shortcomings of a dependence on spreadsheets: “The share function in Excel is limited, and too much reporting is Excel based.”

Zoned out

Larger global organizations face even more obstacles to collaboration when they have offices in different time zones, with 36% of survey respondents citing this issue. And 31% are hampered by availability (is the relevant person available to talk), while 29% find it difficult when they can’t share screens to look at an issue together.

There are relatively simple solutions to these obstacles that will encourage collaboration. Instant messenger-style apps can help with availability awareness (so called “presence checking”) in different time zones, and screen-sharing software tools are easy to install. Even more comprehensive collaboration tools and platforms include version control, work flow tracking and online discussion forums that link directly to the documents, eliminating the email trail.

But these solutions require senior management to recognize the importance of collaboration and encourage a culture of teamwork. Where there is already a silo mentality, no amount of collaborative software can force different functions to use them. And with encouragement should come reward. One survey respondent found that although they were encouraged to collaborate, they were rewarded separately.

Instant messenger-style apps can help with availability awareness (so called "presence checking") in different time zones, and screen-sharing software tools are easy to install.

"We have far too much focus on financial KPIs, so management is encouraged to be collaborative, but then they are measured and rewarded based on their area's profit and loss."

Collaboration is a cornerstone of the data revolution. Companies must actively encourage it both culturally and technologically to facilitate innovation in financial reporting.

What the people say – Innovation at each stage of the data maturity curve

What the people say – Innovation at each stage of the data maturity curve

Innovation might be defined as a new method, idea or product, but it looks very different depending on who is describing it. A minor process improvement may mean real innovation to a largely passive finance function, but would be unacknowledged by another that implements dynamic technology to overhaul their finance systems.

In this year's survey, 148 respondents shared examples of initiatives in their business which they regarded as innovation in reporting. These ranged from process redesign to business intelligence tools, self-service reporting to on-demand dashboards. These responses were then mapped onto the data maturity curve, revealing the types of reporting innovations undertaken at each stage of the data journey, from "data overloaded" to "data constrained", and "technology constrained" to "data master".

"Data Overloaded"

Data overloaded organizations have too many data sources and data governance is poor. With so much data and no way to make sense of it, around 40% of organizations in this segment are investing in new systems, with Business Intelligence (BI) and Corporate Performance Management (CPM) outnumbering basic financial management systems two to one. These businesses are trying to shed their spreadsheets and grapple for more codified data in one place.

Survey comments included:

"We are introducing Business Intelligence to produce dashboard type reporting and analysis. The pace of implementation is slow, and the ability to create dashboards and reports needs IT involvement."

"We have just started to use Power BI."

"We have introduced a robust BI tool."

In addition, there is a lot of more general process re-design in this category as well as reporting re-design.

"We have redesigned our monthly reporting process to build balanced scorecard KPIs."

"We redesigned reporting from single group consolidation to meaningful segmental reporting with appropriate KPIs."

“Data Constrained”

Data constrained organizations struggle to get hold of the data needed to drive insight and decision-making. The initiatives in this segment reflect a recognition by these businesses that they need a reliable, codified financial data-set.

Half of organizations in this category were investing in replacement systems, either of their fundamental finance systems like ERP (or Financial Management Systems), as well as BI and CPM systems. And the other half were seeking improvements in reporting design.

Survey comments included:

> *“It is early days, but we have just introduced a new finance system which delivers information directly to users on their desktop.”*
>
> *“We have upgraded our accounting systems three times and transferred everything on the cloud.”*
>
> *“We have implemented a common financial platform in Microsoft Dynamics D365 and we plan to introduce Power BI reporting.”*
>
> *“We have moved the majority of financial accounting and reporting to cloud solutions.”*

While CFOs see this as innovation within their own business, they are almost apologetic that it isn’t really innovation in a leading edge context. Many of these organizations are just grappling with the basic task of creating a robust financial platform. This is consistent with FSN’s earlier research which shows that core finance innovation has suffered at the hands of customer-centric investment.

“Technology Constrained”

These businesses have the data but can’t fully exploit it because of a lack of tech-savvy talent and tools. Nevertheless, half are investing in BI and CPM tools (none in ERP systems) to jump-start some insight and analysis. But the investments are more ‘earthy’, directed at some quite basic reporting capabilities such as gross margin reports, cash flows and expense reports.

Survey comments include:

> *“We have made improvements like standardization, a self-service reporting tool, the use of BI tools, and the introduction of non-financial indicators.”*
>
> *“We have been utilizing Cognos and Power BI to create reports that are meaningful to various business unit managers and directors.”*
>
> *“We have decentralized reporting of weekly performance to the various business units.”*

"Data Masters"

These organizations actively manage data as a corporate asset and have the tools and resources at their disposal to provide competitive edge and insight. They are the most mature in their approach to data management.

They already have reliable sources of data so their initiatives are directed more towards automated report production, report re-design and better analytical capabilities, with very little need to invest in underlying systems. In fact, just 10% of organizations in this segment are seeking replacement systems. Dashboards to drive insight is the dominant theme in this segment.

Survey comments include:

"The implementation of automated daily updated financial on-demand dashboards."

"We are using technology to improve reporting performance."

"We have introduced dashboards on a monthly reporting basis."

Organizations that are data-overloaded, or data masters, are at the beginning and end of the data maturity curve respectively, leaving those that are data-constrained or technology constrained in the middle. The research finds that these constraints are equally limiting. It doesn't matter whether organizations are data or technology constrained, the net effect is the same.

Data is an organizations most valuable commodity, and those on the start of their journey need to implement the right innovations to move them along the curve. Stagnation is not an option. The focus on front-office innovation is starting to take its toll on neglected finance systems and processes. CFOs need to recognize the limitations on their finance systems and make the case for innovation that will turn them into data masters.

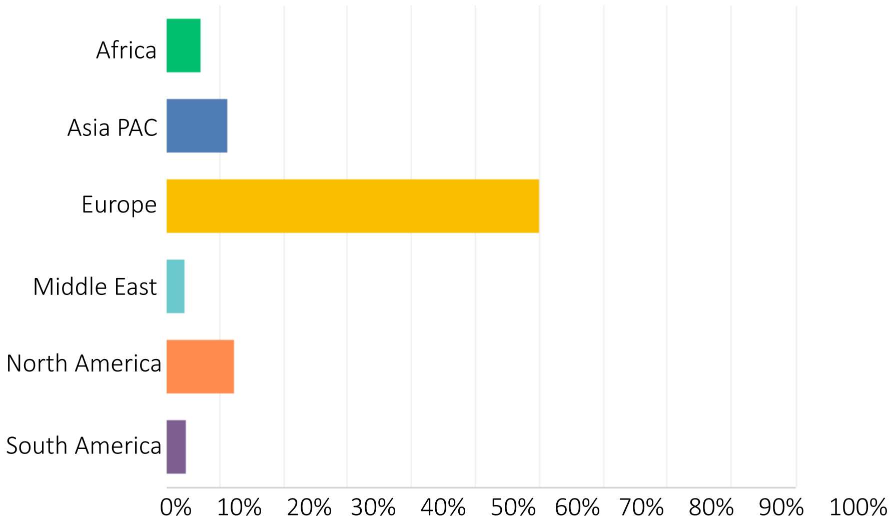
Methodology

METHODOLOGY

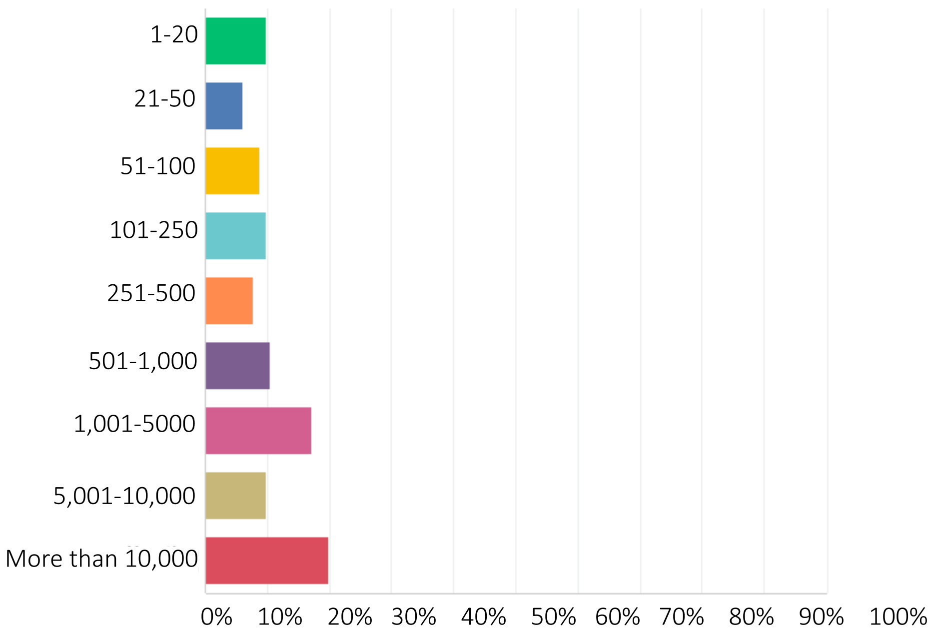
The survey drew responses from 616 international senior finance professionals from our 53,000 strong FSN Modern Finance Forum on LinkedIn.

This survey covered finance professionals across 23 different industries. 87% of these professionals were considered to have senior job titles and above.

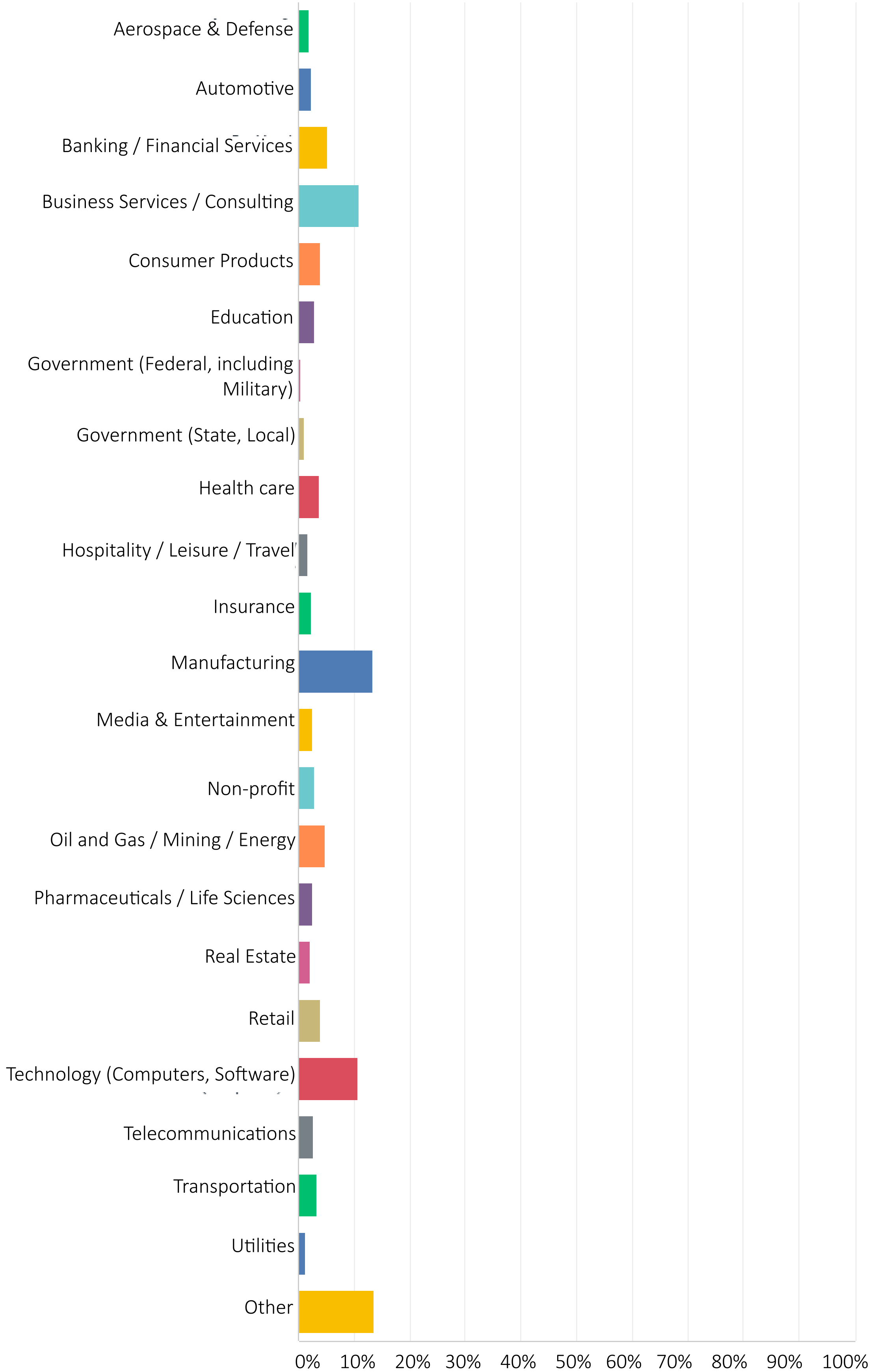
Geography of Respondents



Organizational Size- Number of employees



Industry of Respondents



ABOUT FSN

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

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