



# HOW THE NEED FOR AGILITY IS CHANGING THE WAY BUSINESSES PLAN

ORGANIZATIONS OF ALL SIZES PREPARE  
FOR AN UNCERTAIN FUTURE

During the Covid-19 pandemic, nearly half of CFOs surveyed believed that critical business decisions were delayed due to finance not being able to deliver meaningful insights from data. In contrast, those that had more advanced digital finance transformation suffered fewer delays in making critical business decisions. Just over half (54%) of CFOs surveyed implemented many or some finance digital transformation initiatives and can be referred to as digital accelerators while digital novices make up the rest of the sample, according to the recent *CFO Indicator Survey 2020* conducted by Workday in March 2020.

This is particularly relevant as businesses work to emerge from the impact of COVID-19 and adjust to a changed business landscape. Work must be done differently and remotely, supply chains are disrupted, and the economic recovery could be slow for the foreseeable future.

While COVID-19 may have been the push for organizations to transform digitally, it still requires a cultural shift. There must be better communication and outreach across departments. The mindset that “This is the way we’ve always done it,” must change, as the world we’re operating in has changed.

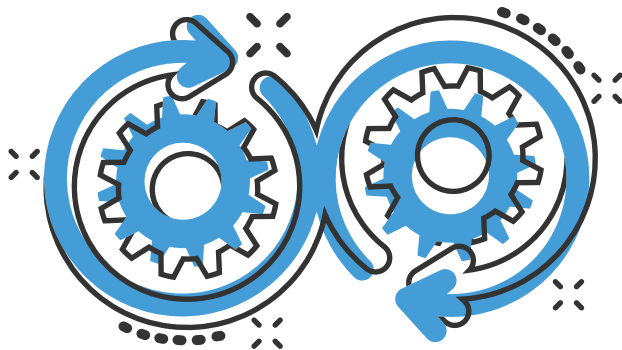
This eBook will examine the future of business planning, looking at COVID-19 and beyond, the capabilities required of today’s CFO, data as a barrier to decision-making, the roadblocks to digital transformation and the skills that will power the future of finance.



## KEY TAKEAWAYS:

- **A key attribute of the modern CFO is the ability to drive organizational change. Developing a team that is adept at data and analysis is also a top priority.**
- **Digital transformation is a critical differentiator in a fast-changing business environment. If you sideline your digital transformation efforts you risk being unprepared for the next disruption.**
- **Data is the foundation for any successful digital transformation. CFOs should encourage their teams to ensure that data is accurate and actionable. Finance leaders should encourage a fresh approach to analyzing data and developing multiple data sources.**
- **Progress is impeded when companies rely on legacy platforms and don't commit the proper amount of resources to become more agile through digital transformation.**

CFOs must ensure that their team is equipped with the technical skills required for the finance function of the future, but soft skills matter. A culture that encourages calculated risk taking and innovative approaches to data will be competitive in any business climate.



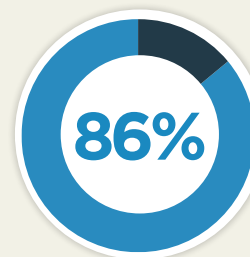
## COVID-19 AND BEYOND: ESTABLISHING CFO PRIORITIES

As the scope of the pandemic became clear earlier this year, CFOs transitioned to defensive strategies like workforce planning, cost containment, and cash liquidity. The urgency for agility increased as CFOs identified gaps within their teams for predictive modeling and scenario planning to manage risk. But CFOs recognize that they will need to move beyond reactive measures going forward. A year from now, they expect initiatives such as finance digital transformation to again take the spotlight.

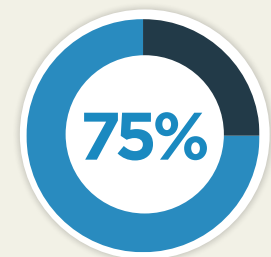
Eliminating manual processes and more flexible planning are key issues as companies look beyond the pandemic,” said Tom Willman, Principal, Global Practice Leader - Finance Advisory, The Hackett Group. “Coming out of this, we see companies moving to a more driver-based planning process. In addition, they’ll be improving their event-based forecasting capability, rather than relying on a regimented, calendar-based structure.” The speed with which companies can adjust plans and forecasts based on rapidly changing business conditions and continued uncertainty is going to be critical moving forward, Willman noted.

COVID-19 has reshaped the need for finance agility the way organizations think about business planning. “COVID has certainly brought the need for finance agility to the forefront,” said Michael Magaro, Senior Vice President, Business Finance & IR at Workday. “The role of finance is to frame what the potential outcome should be and level set expectations of the leadership team. Planning for a year ahead is no longer viable.”

### AMONG THE FIVE BIG ENTERPRISE “ASKS” FROM FINANCE THIS YEAR



**support enterprise  
cost-efficiency  
improvement**



**support digital  
transformation**

—The Hackett Group’s 2020 Finance Key Issues Survey

The unprecedented events of recent months — the COVID-19 pandemic that few, if any, corporate financial plans foresaw — have clarified the need for infusing the conventional planning process with dramatically greater agility. “As most CFOs have learned, businesses need the capability to dynamically adjust their business assumptions, revise their operational and financial plans, and re-allocate scarce organizational resources to accommodate the impact of real-world events,” said Philip Peck, Vice President, Advisory Services and Finance Transformation Practice, Peloton Consulting Group.

CFOs cannot limit their view to the next twelve months, Magaro said. “They have to look at long-range investment cycles. The potential outcomes and variances are wider than normal.”

The unforeseen level of disruption in business conditions compels finance and FP&A to abandon their traditional, tedious, manual annual planning and forecasting processes to produce forward-looking insights faster and more frequently, Peck noted.

While COVID has slowed progress to some degree, companies are pivot back to digital transformation strategies. According to research firm APQC's "Next 90 Days" survey summary report, 55% of survey respondents said that digital products/services accelerated during the pandemic.

Magaro said companies need to get past the "frozen period" that immediately follows most significant events and can last from six to 12 months. "There is a lot of looking around the corner and planning for that normalization. If you're frozen too long you won't emerge strong. During the last two recessions, many companies said they wish they had invested more in technology to help them come out of the downturn faster and gain market share."

Progress is dependent on clean and accessible data to make decisions. "There is a greater focus on agility and purpose. Digital transformation is a driving force to recovery as companies digitize your FP&A organization and move planning into the cloud."

Digital finance transformation leaders must adjust their planning processes to succeed in a post-pandemic business landscape. Leveraging lessons learned during the unsettled months, the CFO must permanently build speed and flexibility into forecasting, planning, and resource-allocation processes and incorporate new tools and rapid decision-making protocols into the finance team's day-to-day work, Peck noted. He identified six critical areas:

- **Establishing multiple probabilistic, range-based business scenarios**
- **Building flexibility into planning and forecasting cycles (e.g. on demand event driven forecasting)**
- **Adopting dynamic contingency-based resource reallocation**
- **Improving performance reporting, analysis, and real-time analytics**
- **Accelerating decision making capabilities**
- **Securing senior leadership's total commitment to digital initiatives**

## DEVELOPING KEY CFO COMPETENCIES AND CAPABILITIES

Sometimes overlooked is the ability of CFOs' ability to drive organizational change. Successful CFOs can be a central force in pivoting the organization to a more agile structure. There are many business functions, finance included, that tend to stick with the traditional ways of doing things. To be the persuasive voice of change, finance will need to evolve their leadership toolkit.

In terms of CFO priorities, agility tops the list for many. Flexibility is the top skill for "the new normal" according to the APQC study. Rachele Collins, the Principal Research Lead at APQC, noted that all areas of finance can benefit from greater agility. FP&A, for example, can leverage better data analytics to generate more frequent and accurate forecasts. General accounting can perform remote closes and implement cloud technology to reduce monthly close cycle time.

In a recent CFO.com [article](#), Collins and her colleague Mercy Harper, Ph.D., an analyst on APQC's research team, wrote about the need to recruit the right people to interpret the data. "Analytics specialists need to be provided with opportunities to continuously refine and expand their knowledge," the article stated.

Because so much of today's business planning and forecasting relies on data, data analytics skills are essential to succeeding as a modern CFO. But soft skills are also important, Peck said. "The must have a comprehensive, holistic understanding of the entirety of the business. Especially in today's ambiguous, volatile, and

**"IDENTIFYING GROWTH DRIVERS AND STRATEGIC OPPORTUNITIES" AND "ALIGNING CORPORATE OBJECTIVES TO FINANCIAL PLANS AND OPERATIONAL TACTICS" AS THEIR TWO MOST SIGNIFICANT CHALLENGES FOR CFOS**

— *Workday CFO Indicator Survey 2020*

**CFOS AT BUSINESSES THAT HAVE AT MOST PILOTED DIGITAL FINANCE TRANSFORMATION INITIATIVES HIGHLIGHT ALIGNING CORPORATE OBJECTIVES AS MOST CHALLENGING, COMPARED WITH 55% OF BUSINESSES THAT HAVE FULLY IMPLEMENTED MANY DIGITAL FINANCE TRANSFORMATION INITIATIVES**

— *Workday CFO Indicator Survey 2020*

uncertain environment, CFOs must be able to understand how changes in one areas of the business value chain impact upstream and downstream elements of business operations. This capability and "muscle memory" need to be exercised and continually refined as the internal and external landscape constantly changes and evolves.

Brian Kalish, Founder and Principal, Kalish Consulting said communication is an undervalued soft skill. "Communication skills and business partnering skills are just as critical as technical and accounting competencies.



## DATA & INSIGHTS: THE BARRIER TO FINANCE DECISION-MAKING

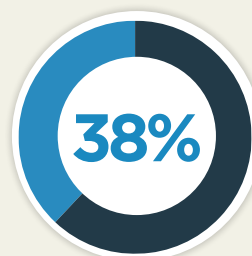
Critical business decisions are delayed at least ‘sometimes’ due to data issues, according to most CFOs surveyed. A lack of proficiency in delivering meaningful insights from data and conflicting data between finance and operations causes delays. Other issues include a lack of timely delivery of data and a lack of alignment between finance and operational data. Leaders in digital finance transformation say they all have a single source for nearly all financial and operational data.

Business decision making, particularly in finance, is dependent upon good quality data and access to it. Finance leaders must ensure their team and platforms are agile enough and can meet requests from key stakeholders.

As CFOs take responsibility for data, they must align with other functions and leadership to provide the right platform to ensure that data is accessible and accurate. “Collaboration is critical and there needs to be cross functional alignment, including IT, HR, sales, marketing and other business areas,” Magaro said.

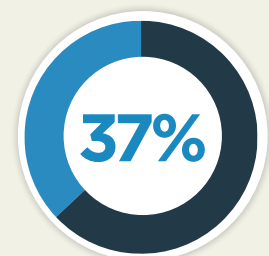
### ANALYTICS AND INFORMATION MANAGEMENT WERE RANKED THE TOP SERVICE DELIVERY MODEL PRIORITIES FOR 2020, FOLLOWED BY TECHNOLOGY

— Workday CFO Indicator Survey 2020



of CFOs believe planning and budgeting will benefit from machine learning

— Workday CFO Indicator Survey 2020



of finance staff spend more time collecting data than analyzing and interpreting it and delivering timely guidance to the business

— 2019 Gartner Impact Survey

Finance leaders should encourage their team and business function partners to be unafraid of data, Magaro noted. “We have to be

critical thinkers about data, not just reporters. Finance leaders need to encourage their team to develop a data-driven mindset. They should be looking at different types of data and viewing it in different ways.”

The risk of not breaking down the barriers between data and insights is not being prepared for the next event. This is not the last crisis that business will face, and the companies that learn and strengthen their response for the next time will emerge ahead of the competition.

Companies that do not evolve their data gathering and interpretation capabilities will suffer from siloed thinking, according to APQC’s Collins. They will also make sub-optimal or wrong decisions. Ultimately, they

risk marginalizing the influence and impact of the finance function, she noted.

To position their companies for future downturns and roadblocks, companies must develop top-notch analytical and strategic-thinking skills within the finance team. This can involve recruiting data scientists and others with similar skills or having them join the finance function from other departments.

AI can free up the finance team from routine tasks such as reconciling invoices. But the potential is even greater when applied to data-intensive tasks. AI can help organizations mine large volumes much faster, and more accurately, than humans could. The result: better insights faster.







## “SLOWGRESS” FOR CFOs ON FINANCE TRANSFORMATION

While digital finance transformation is critical, not everyone is on board. CFOs listed competitive advantage as the top reason they invested in finance technology in Workday’s survey. Larger companies have made significantly more progress than their smaller counterparts.

But some organizations are suffering from “slowgress.” Digital transformation and other growth initiatives have been put on the back burner as companies scramble to respond to immediate concerns.

A recent research piece from The Hackett Group, **The Impact of Covid-19 on Planning**, acknowledged that the human and economic devastation caused by the rapid spread of Covid-19 upended budgets and rendered performance targets obsolete. “Under normal conditions, forecasting and scenario planning are distinct activities,” the research said. “At present, the line between the two is blurring, as circumstances can change so fast that it is no longer possible to create a forecast based on past data. In addition, scenario plans must

be reviewed frequently to ascertain which are becoming more likely.”

As companies emerge from Covid, they’re getting prepared to restart their digital transformation initiatives. About one-third of CFOs (34%) plan to prioritize finance digital transformation in the next year. In contrast, just 5% focused on it at the height of the pandemic, according to the CFO Indicator Survey 2020.

In addition to the pandemic, there are several roadblocks to a full-fledged commitment to digital finance transformation. Some of those include:

- **Legacy platforms make significant cross-functional changes difficult to execute**
- **Little or no resources committed to training**
- **Inadequate change management processes**
- **Difficult to perform cost-benefit analysis because there aren’t always hard-dollar benefits**

There are some human aspects that contribute to slow progress of digital transformation projects. Upper management has not communicated it as a priority. People fear losing their jobs to automation. People don't seem the "what's in it for me," of change.

"There is also a tremendous fear of potentially buying the wrong technology," Kalish said.

There is bottom-line impact of "slowgress" when it comes to digital transformation. Companies that don't prioritize digital transformation lose time. They lose customers. They lose business. They lose opportunities. They lose market share.

Even when projects get off the ground, they sometimes stall. Leadership needs to send a steady and consistent message of the value of digital transformation not just to the individual, role, or function, but to the entire organization.

Other suggestions from Peloton Consulting's Peck:

- **Successful initial projects provide near-term benefits, establish the foundation for enhancing and extending the solution, and create momentum for accelerating then transition to a modern future state finance environment.**
  - **Provide dedicated resources to the project who possess the critical skills, capabilities, and experiences needed for the digital transformation efforts.**
  - **Adopt a hybrid approach that embraces agile elements while still having the necessary controls, milestones, and interim checkpoints that ensure optimal alignment to the overarching enterprise goals and objectives.**
  - **Incorporate comprehensive change management and communication activities throughout all phases of the digital transformation journey.**
- **Ensure that the digital transformation roadmap includes visible, incremental "wins" that deliver significant value for the organization and demonstrate that the implementation team can deliver core elements of the solution as promised.**

Finally, there needs to be an agreed-upon method for measuring success and adjusting. "By aligning on the metric for success you ensure that everyone is held accountable for delivering results and you can know where to focus and potentially course correct if things aren't meeting expectations."

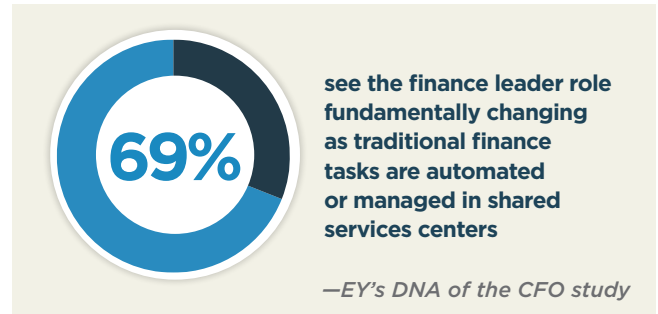
## WHY SKILLS ARE THE KEY TO FINANCE OF THE FUTURE

CFOs of large companies believe transformational leadership is the most important quality for the CFO of the future, and rank accuracy as least important. In contrast, small and medium sized businesses rank accuracy as one of the most important future skills and downplay the importance of transformational leadership.

To become strategic advisors, executives need to not only enhance their business acumen but also strengthen other interpersonal skills, such as communications, negotiation and influencing. The onus is on finance to prepare staff for the skills of the future through formal and experiential training, according to The Hackett Group.

“Communicating to your employees, especially the ones who serve your customers, is crucial as it will be necessary for employees to assure customers of uninterrupted service, or to advise them of any issues that might arise, and come up with solutions,” according to a Deloitte [article](#).

The article also noted that organizations will need to find new ways to drive revenue, and the finance function should lead this effort. “This could be the time to give special offers and discounts to retain your customer base, and potentially attract new customers. But keep in mind, you can only do this if you know you will have the ability to service everyone.”



Finance has quite rightly become a much more analytical, data-driven function, but how has that impacted the skills that are needed to run the function.

What skills do the modern finance team possess? Finance is becoming much more analytical and data-driven, Peck noted. “The finance function requires developing and nurturing a digital literacy and digital finance capabilities that goes far beyond skills and experience that organizations traditionally looked for in practitioners.

The Hackett Group’s Willman noted that the increased demand analytical capabilities hasn’t gone away, if anything it has gone up even more. “What has also increased is the need for more technology and data management acuity.”

A sub-optimal culture does not encourage change, risk-taking, continuous learning, flexibility, and adapting. “A deficient culture may also not support investments in tools, technology, business process improvement, and other areas for the finance function,” Peck said.

## CONCLUSION

The economic downturn due to COVID has renewed attention on agility. This has put the spotlight on data, as businesses are striving to improve their ability to derive actionable insights from data.

To navigate this new normal, CFOs need to put their companies in a position to accelerate digital transformation.

While there may have been a necessary pause in some transformation effort, now is the time to put the foot back on the gas. Companies that are agile in their approach to business planning will emerge strong.

## ABOUT THE SPONSOR

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

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