CFO Indicator

Q4 2016 Report

Piece by Piece:

The Challenges in Assembling Corporate Reports

Adaptive Insights

EXECUTIVE SUMMARY

It's that dreaded time again—the time when management, the board, business unit VPs, and others—look to finance to take the pulse of the business. Methodically generating report after report, finance serves up numbers and metrics pulled from a growing mountain of operational and financial data—all in an effort to provide myriad stakeholders with a big picture view of an organization's health.

But no matter how many reports they generate, finance teams don't appear to be hitting their mark. Global research firm CEB surveyed accounting and reporting teams on their reporting skills. They found that only 46% believe they are effective in meeting stakeholder needs.[1]

Why? We explored this topic with over 400 global CFOs, surveying them on report efficiency, processes, volume, and content to identify where the current shortcomings lie. The results detailed in this report show that while most (85%) claim to have direct access to the data they need, many are spending too much time gathering that data, confirming its accuracy and consistency, and formatting reports so that they can be digested by those outside of finance. When all is said and done, there's no time left for the value-added analysis needed for strategic decision-making.

While 85% of CFOs claim to have direct access to the data they need, many spend too much time gathering data, confirming its accuracy and consistency, and formatting reports.

In Q2 2016, we asked CFOs how much time their teams were spending on strategic tasks, and the results came back at a discouraging 18%. At the time, CFOs also said they had a goal to double that amount by 2020. Revisiting the issue for this quarter's CFO Indicator Q4 2016 report, we discovered that not only have things not improved, they've actually taken a small step backwards, with teams now spending just 17% of their time on strategy.

If CFOs hope to achieve their goal of doubling time on strategic tasks by 2020, they can't afford to go backwards. They must instead take a hard look at how they're going about non-value-added reporting tasks like data gathering, verification, and formatting—especially if the number of reports they're asked to deliver continues to rise.

[1] *CEB Accounting and Reporting Leadership Council, "Increasing the Relevance of Management Reporting," June 6, 2014.*

EXECUTIVE SUMMARY

According to our survey, nearly 70% of CFOs expect a rise in report volumes and, on average, expect a 16% increase by 2020. Continuing to rely on traditional reporting platforms will only magnify the shortcomings in the reporting process.

And while CFOs are divided when it comes to efficiency, with 57% saying their reporting processes are efficient and 43% reporting their processes are inefficient, they are united in identifying the key technology hurdle that stands in the way of gaining actionable insights—source system integration. Most CFOs (60%) say that disparate systems continue to house operational and financial data separately, and that means their teams continue to be bogged down with the error-prone and time-consuming process of having to manually aggregate data..

Our CFO Indicator Q4 2016 report explores reporting processes, seeking to identify the key reporting challenges that must be overcome for CFOs and their teams to elevate the value of the reporting function. Read on to learn more.

60%

of CFOs identify data integration as the technology hurdle that most stands in the way of gaining actionable reporting information

THE CHALLENGE OF DATA GATHERING

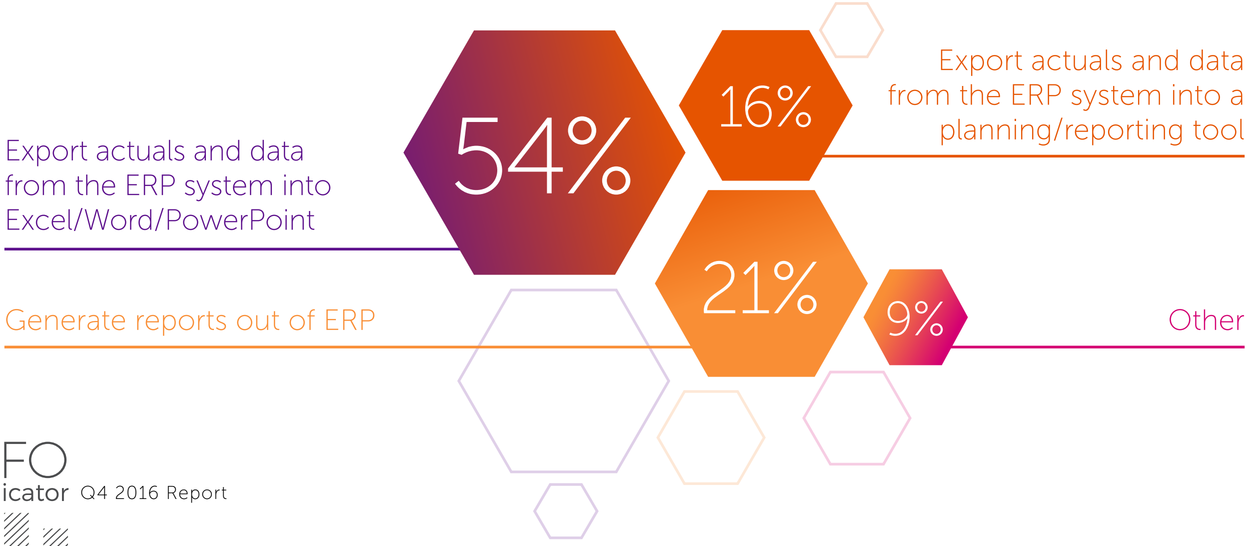
Much of the value in reporting comes from ensuring that the right pieces of data are pulled together to provide clarity on the direction of the business—it can be that one missing piece that stands in the way of gaining insight. And, as more and more organizations see value in tracking non-financial metrics, corporate reports naturally must include a growing amount of operational data. Using traditional reporting methods, finance must access data from other parts of the business—housed in systems outside of finance—and then manually manipulate and reconcile the data into a consolidated report.

According to our survey, more than half of CFOs (54%) say they generate reports by exporting data out of their ERP systems and into a Microsoft Office® application such as Microsoft Excel®, Microsoft Word®, or Microsoft PowerPoint®. Of those that report an inefficient process, 64% take this approach.

Alternatively, over one-fifth of CFOs generate reports directly out of their ERP systems. While this group is more likely to state that their process is efficient and that they have greater confidence in the accuracy of their reports, efficiency and accuracy still remain a challenge. In fact, 41% of this group periodically found their numbers to be inconsistent from report to report.

The lack of a centralized reporting system introduces inconsistencies in metrics, data, and calculations, subsequently leading to inconsistencies in reports. To confirm the accuracy of their reports, finance teams must spend an inordinate amount of time verifying and validating data in order to mitigate risk. Moreover, this process limits the ability to easily conduct variance and comparative reporting—a step that can help uncover areas requiring possible course correction. CFOs who can streamline this process for their teams can instill a greater level of trust in the data, while enabling the finance team to reveal insights during the reporting process.

Which process most closely describes how you/your team generate financial reports?

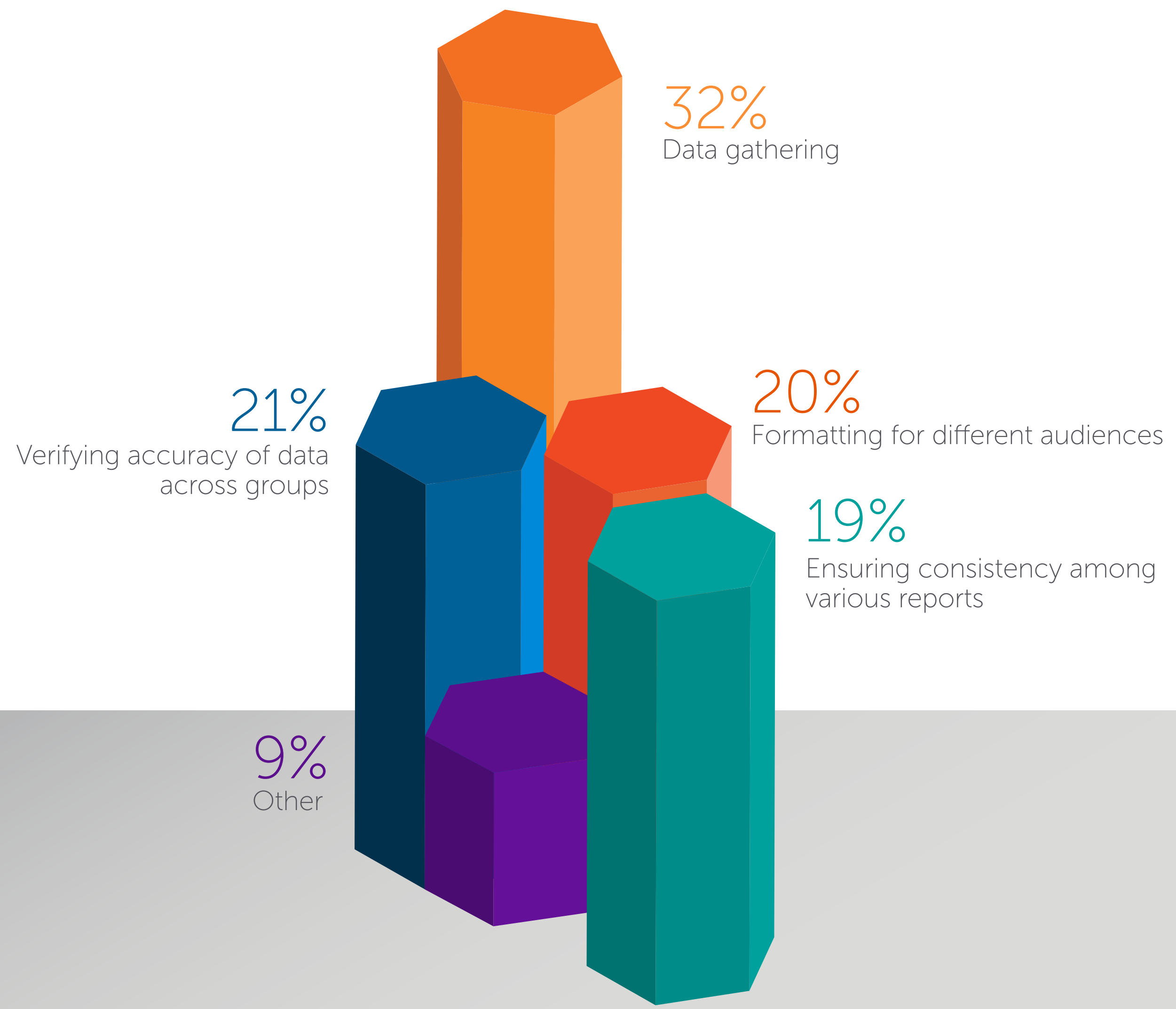


THE CHALLENGE OF DATA GATHERING

It appears, then, that the more steps involved in gathering and manipulating data, the more likely it is for CFOs to find their processes inefficient and inaccurate. In fact, roughly one-third of CFOs (32%) identified data gathering as the step in the reporting process that required the most improvement, followed by verifying data accuracy (21%).

This data is consistent with our CFO Indicator Q3 2015 report which revealed that nearly half (47%) of CFOs continue to manually aggregate data from disparate systems to create a single source of truth, and suggests that unifying operational and financial data into a single, centralized repository can vastly decrease reporting time, while improving accuracy.

What part of your reporting process could be most improved?



DIGESTING AND DISSEMINATING REPORTS

Once the data has been gathered and analyzed, how are reports being prepared and distributed? The most popular tools for preparing reports remain Microsoft Office applications, with 89% of respondents reporting that they prepare reports in Microsoft Excel, Microsoft Word or Microsoft PowerPoint. In addition, 59% of reports are delivered in spreadsheet format and distributed via e-mail (68%).

While Microsoft Excel as a tabular presentation tool still suits the office of finance, those outside of finance tend to consume data visually. This is likely why our CFO Indicator Q4 2015 report revealed that 53% of CFOs intended to undertake a data visualization strategy in the coming year, and three-quarters of CFOs identified collaboration as a top initiative for their organization.

Yet, today, only 16% of respondents say they are currently generating visual reports. To meet stakeholder needs, and deliver on their goals of being more collaborative and visual, CFOs will want to consider how to quickly and easily deliver data in a range of formats desired by myriad audiences.

And while Microsoft Excel will likely continue to be used as a presentation platform, its use as a primary reporting system will need to change. The inconsistencies in metrics, calculations, and formulas means that finance teams spend too much time verifying data—not to mention the data gathering challenges that grow in line with the growth of data.

What format do the majority of the reports delivered by the office of finance take?

REPORT VOLUME RISING IN A SEA OF DATA

We've previously reported on the increase in the volume and sources of data and how this increase places new demands on CFOs and their teams. Reporting appears to be no exception. Most CFOs say that their organizations prepare anywhere from one to 20 reports each quarter—including board packages, quarterly performance reports, financial statements, business unit P&L statements and more—and three-quarters of them also say that the volume of the reports they prepare has increased compared to three years ago.

> The majority of CFOs (68%) expect an increase in report volumes and, on average, expect an increase of 16% by 2020.

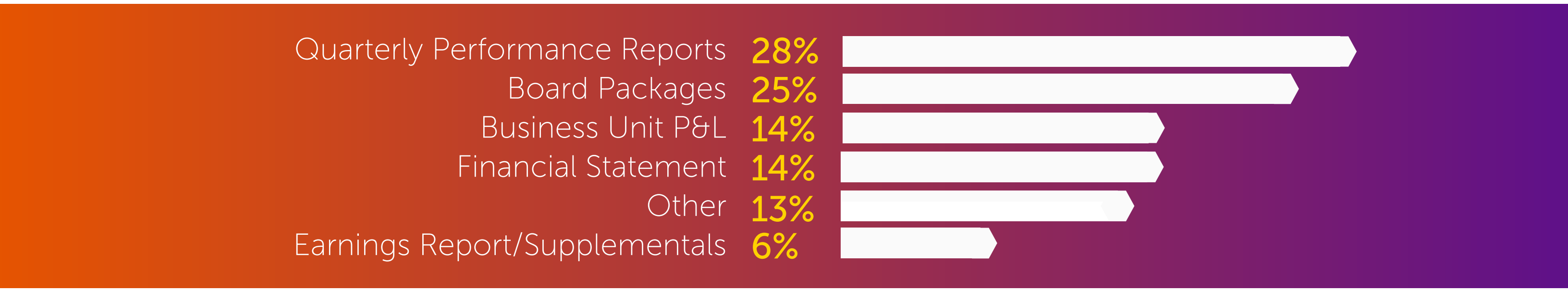
On average, the majority (68%) of CFOs expect a 16% increase by 2020. With one-quarter of finance teams already spending up to 30% of their time on reporting alone, organizations will need to fix their source system challenges and data gathering issues to address the rising demand.

Rising report volumes also increase the opportunity for inefficiency and inaccuracy. In fact, CFOs who said their current process was inefficient also tended to prepare more reports. A third of those who believed their reporting process was inefficient were responsible for preparing 21-40 reports per quarter. By automating report generation, and working from a single source of truth, finance can deliver the quality and timely reports needed by all stakeholders.

CFOs have previously expressed the need for their teams to improve their reporting capabilities. When asked what one skill they wanted their FP&A team to improve the most, the top answer reported by CFOs (29%) was dashboard design and report building, as reported in our CFO Indicator Q2 2016 report. The ability to report, visualize, and interpret the data for a variety of audiences continues to be top of mind nearly a year later.

Yet, while CFOs should not only work to improve how they and their teams approach reporting and data gathering, they should likely also consider how they can move their organizations toward a self-service reporting model—providing key stakeholders with direct data access so that they can run their own reports and queries.

What is the most challenging report your team prepares?



DISPARATE SYSTEMS AND OPERATIONAL DATA DRIVE COMPLEXITY

Not all reports are created (or produced) equally. As CFOs and their teams strive to customize corporate performance reporting for myriad audiences, they find the most difficulty compiling quarterly performance reports (28%) and board packages (25%). As to why these reports were so difficult to prepare, many CFOs reiterated issues with disparate systems and the variety of data that must be incorporated from multiple groups.

Microsoft Excel was identified as a key a source for errors and inefficiency, while disparate ERP systems between locations were also identified as causing difficulty. With respect to board packages, information was said to be sourced via Microsoft Excel, but presented visually in Microsoft PowerPoint, requiring finance teams to manually transfer data between the two programs. As noted previously, this presents significant opportunity for errors to be introduced as a result of manual manipulation and transfer of data.

> Rising report volumes increase the risk for inefficiency and inaccuracy.

Beyond the traditional software challenges, CFOs also say that the type of data that must be reported is causing challenges. CFOs say that board members often require more customized reports containing ad hoc analysis and non-standard information. This was also true in the case of quarterly performance reports where respondents identified the need to incorporate non-financial information as being difficult.

The incorporation of ad hoc and non-standard information into reporting is also likely to rise as more and more organizations rely on non-financial key performance indicators (KPIs) as a window into the future. And with 76% of CFOs saying they are tracking non-financial KPIs today, as reported in our CFO Indicator Q3 2016 report, the incorporation of ad hoc and non-standard information into reporting will likely continue to rise as well.

Not surprisingly, those CFOs claiming to have inefficient report processes took longer to generate their most difficult report, with 57% reporting that it took more than three days, and up to two weeks, to prepare this report.

FINAL THOUGHTS

As CFOs seek to take full advantage of the data available to their organizations—and then deliver actionable insights based on that data—they will need to consider a new approach to reporting. That approach must respond to the rising demand for reports, free finance teams to engage in more strategic tasks, and provide myriad views of the data to key stakeholders involved in corporate decision making. The first line of defense will be to address the documented shortcomings in the data gathering and system integration processes.

To truly deliver actionable insights among non-financial managers, CFOs will also need to institute processes that ensure multiple, fast visual views of a growing amount of both financial and operational data. With expanding data sets fueling corporate reports, CFOs have an opportunity to provide a next-level view of the business to a variety of audiences in ways not previously possible, and empower key stakeholders to take full advantage of the reporting process themselves.

In centralizing data and automating non-value-added tasks, the office of finance can elevate the reporting function, providing top management with the analysis needed to enable better decision-making. In this way, reporting can move beyond what has long been the bane of the office of the CFO and fulfill its role as a critical piece in the finance transformation puzzle.

About the Survey

The Adaptive Insights CFO Indicator Report reveals what is top of mind for CFOs, as well as unveils key attributes that define the strategic CFO. An infographic is also available, as well as blogs that highlight key findings and takeaways. This report surveyed 405 chief financial officers across the globe online over a period of 18 days ending January 7, 2017.

For additional insights, read results from previous CFO indicator surveys:

Measuring Up: The Weight of Non-Financial KPIs in Determining Corporate Performance (Q3 2016)
Peak Ascent: How FP&A Can Guide CFOs to Great Heights (Q2 2016)
Big Data, Better Vision: The Agile CFO (Q1 2016)
Collaborative Finance Organizations (Q4 2015)