VANTAGE RESEARCH

EXECUTIVE SUMMARY

CFOs Drive Business Value

HOW STRATEGIC LEADERS TRANSFORM FINANCIAL OPERATIONS

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WHAT'S INSIDE

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CFOs have a unique opportunity to seize the moment.

Accelerated transformation

The digital transformation of the finance function is heating up as the US economy emerges from the pandemic. This shift has big implications for CFOs who are creating value for their companies. Finance executives who see a future beyond business stewardship are harnessing new technologies that enable them to play a bigger corporate role. Other CFOs who focus on financial supervision, rather than doing more to create business value, are not changing fast enough to compete.

CFOs have a unique opportunity to seize the moment and elevate themselves to be architects of business transformation, in addition to their usual position as financial stewards. To do so effectively, CFOs will have to embrace the role of a value driver, taking a seat at the planning table and providing timely financial insights to help influence their companies, while also initiating changes in the finance function.

These are the implications of a survey conducted by CFO Dive, an independent provider of financial news and analysis, in April and May 2021 of more than 180 CFOs, CEOs and other executives in US companies (for the methodology, see p11). Vantage Research, a company that creates and develops thought leadership, wrote the report, which was sponsored by Tipalti, a provider of global, end-to-end payables and AP automation software, and Tesorio, a provider of cash flow forecasting and AR automation software.

The findings show that a finance function can occupy a much more important position in the enterprise if it can move beyond the traditional stewardship role to focus on creating value and driving growth alongside the CEO and other business leaders.

The survey findings offer lessons on how this can be achieved.

From financial steward to value driver

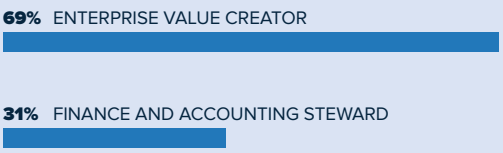
Most CFOs see themselves as stewards of their company's finance and accounting operations. These days a lot more is expected of them, especially in the wake of the pandemic. CEOs expect their CFOs to create business value and to strategize alongside them. For CFOs, stewardship is an important duty, but it tends to be taken for granted by CEOs and others; to add value, CFOs need to do more.

What is required for a CFO to be a value driver? It means they have to go above and beyond typical accounting tasks. They need to offer ideas for how to grow the business while identifying, assessing, and managing risks. They are expected to find ways to improve the customer experience and provide deeper financial insights to enhance and accelerate decision-making in the C-suite. They work across functions to test new strategies, while always being on the lookout for new ways to measure success. In sum, CFOs must expand their horizons and provide the real-time financial insights that are required if they are to be value creators.

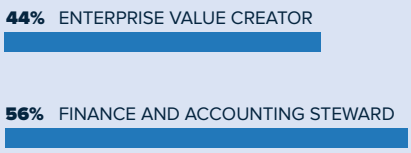
CEOs expect the CFO to be a value driver; CFOs see themselves as stewards

How would you best describe the role of the CFO at your organization today?

How CEOs see the CFO



How CFOs and finance executives see the CFO



SOURCE: CFO DIVE; VANTAGE RESEARCH

CFOs who are value drivers tend to perform above expectations.

Exceeding performance goals

This bigger role for CFOs doesn't merely sound fine in theory, it also works in practice. CEOs are right to want more from their CFOs, because a digitally transformed finance function can achieve better results. The survey finds that CFOs who are value drivers are more likely to exceed their performance goals, by a 14 percent margin (51 percent versus 37 percent for CFOs who see themselves as stewards). Finance executives that prioritize strategy and act as value drivers can uncover growth opportunities that would otherwise go unnoticed by the executive team.

CFOs focused on value creation more likely to exceed performance goals

How do you expect your organization to perform in 2021?

Performance expectations at companies where CFOs seen as a value driver

51% EXCEED GOALS AND EXPECTATIONS

49% MEET OR PERFORM BELOW GOALS

And at companies where CFOs are seen as a finance steward

37% EXCEED GOALS AND EXPECTATIONS

63% MEET OR PERFORM BELOW GOALS

SOURCE: CFO DIVE; VANTAGE RESEARCH

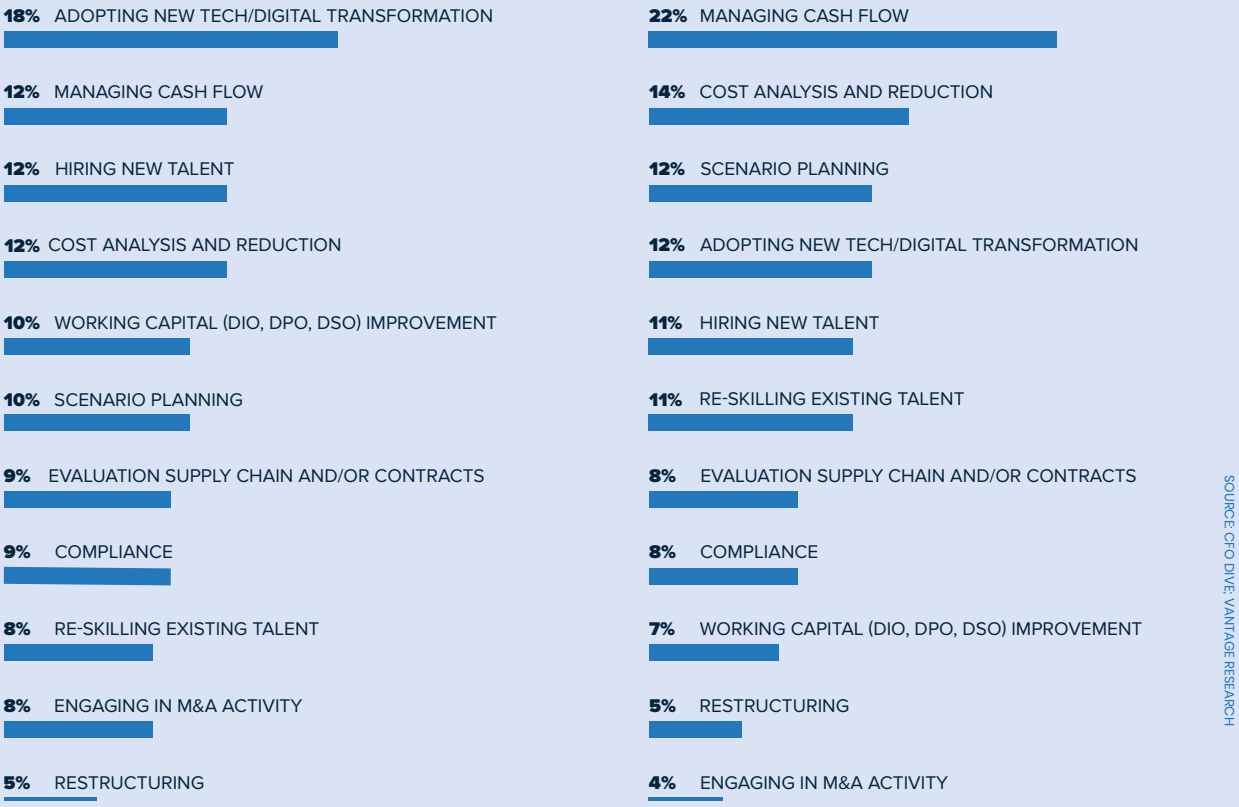
A key differentiator

Cash flow management is the top priority for all respondents, but what separates high performers from others in this regard? The survey shows that CFOs who are drivers of value have different priorities from other finance executives. When asked about their top three priorities over the next year, digital transformation came first. They are focused on the entire enterprise rather than any single area of finance.

All finance executives would agree that effective cash flow management is crucial, but what can have the biggest impact on cash flow? A fully integrated digital transformation, and this is what separates those CFOs who drive value from those who do not.

Where CFOs drive value, the top priority is digital transformation

What are the CFO's and finance function's top three priorities for the next 12 months to achieve business goals? (Choose up to three.)



SOURCE: CFO DIVE; VANTAGE RESEARCH

How technology helps

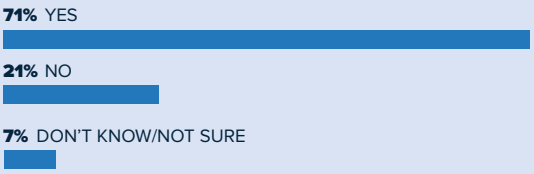
Digital transformation in finance is crucial these days because other parts of the business are likely to have realized that new technologies help to fuel better, faster decisions across the enterprise. By automating mundane and repetitive tasks, the finance function can focus on areas of the business where human judgment is important. Such areas include strategic planning for the next growth phase and timely and impactful financial insights.

In the past year, many companies have accelerated their digital transformation, because the impact of COVID was so disruptive that they saw new technology as a way to overcome unique challenges. CFOs have learnt that they now have an opportunity to put better systems in place to heighten resilience, in case of another disruptive event. Thus, in the past 12 months, fast-growing companies in our sample have invested heavily in digital transformation and process improvements. Slower growing companies have done so at a lower rate (71 percent versus 52 percent).

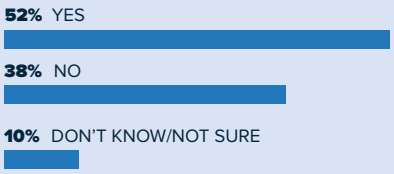
Fast-growing enterprises were more inclined to invest in new technologies

Have you accelerated digital transformation for finance processes in the past 12 months?

Of the 70 companies experiencing accelerated growth, 71% are investing heavily in digital transformation and process improvement for finance.



But only 52% of the 113 companies experiencing stable or declining revenue say they're investing heavily.



SOURCE: CFO DIVE; VANTAGE RESEARCH

A strategy for delivering results

How do outperforming companies beat others in finance transformation? They have developed a finance strategy focusing on the digitalization of operations in ways that can lead to transformation and increased agility in a number of areas. These include better management of working capital; process improvements; and more effective reporting.

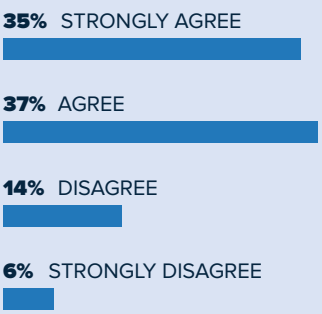
WORKING CAPITAL

Many more companies that exceed performance expectations ("overperformers") than other companies have a strategy to manage and effectively leverage working capital (35 percent of overperformers strongly agree they have a strategy and stick to it, versus 21 percent of the rest).

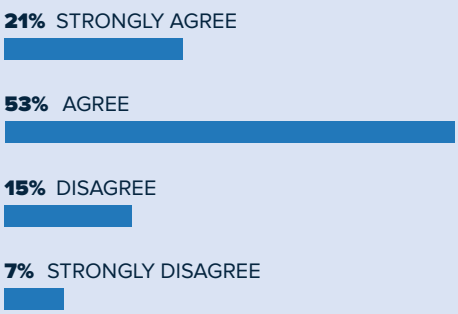
Overperforming companies have a strategy to manage working capital

"The CFO and finance function at my organization have a working capital management strategy and adhere to it closely." Do you agree?

Companies that exceed performance expectations



Companies that meet expectations or underperform



SOURCE: CFO DIVE; VANTAGE RESEARCH

A strong drive to reduce manual processes and remove human errors

"Reducing manual, time-consuming, and error-prone processes is a priority for the CFO and finance function at my organization." Do you agree?

SOURCE: CFO DIVE; VANTAGE RESEARCH

PROCESS IMPROVEMENTS

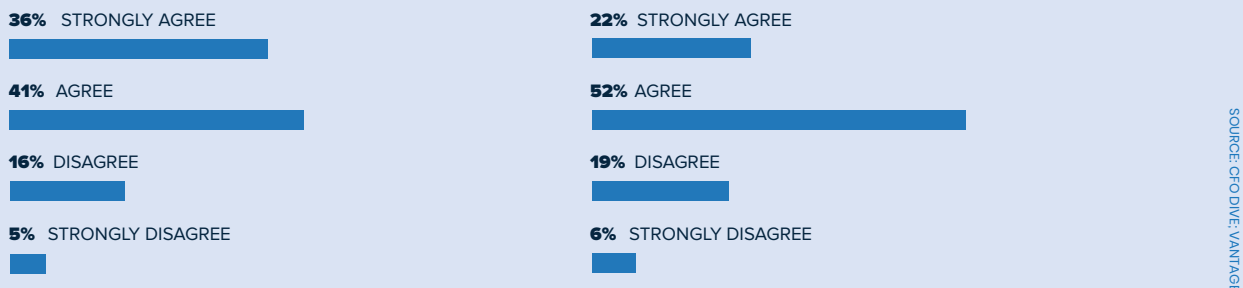
Overperformers feel more strongly that manual processes need to be improved (47 percent versus 28 percent), because they know that reducing human intervention in routine activities is likely to lead to faster growth. Accelerating digital transformation can feel like a distraction from the day-to-day job, but the long-term benefits outweigh the short term costs.

EFFECTIVE REPORTING

Overperforming CFOs tend to do a better job to identify, adopt, and implement new technologies, which can help simplify financial reporting, planning, and analysis. This helps to streamline internal processes, decision-making and the monthly closure of the accounts (36 percent to 22 percent).

Top performers identify new technologies to improve processes

"The CFO and the finance function at my organization regularly identify technologies to improve the efficiency and accuracy of our reporting, planning, and analysis." Do you agree?



SOURCE: CFO DIVE; VANTAGE RESEARCH

Raising business expectations

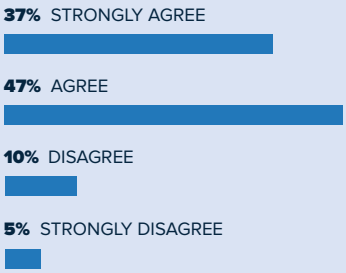
These attributes among overperformers help to create a positive feedback loop: The CFO delivers more value and so, more is expected of them. A higher proportion of overperformers strongly agree they are routinely asked to deliver real-time information to drive value (37 percent versus 23 percent).

These high-performing CFOs use data analysis and information dashboards to deepen insights in the business, enabling them to enrich the discussions of the Board and to provide quick advice on an IPO, an acquisition, a spin-off, a capital raising and so on. New technologies help to fuel better, faster decisions across the enterprise.

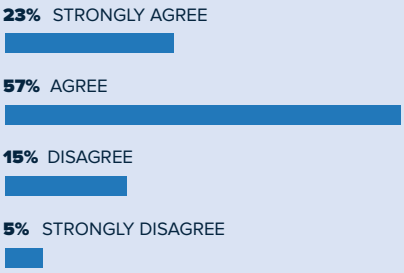
Better quality information improves business decisions

"The CFO and finance function at my organization are asked routinely to deliver real-time information to inform key business decisions and drive enterprise value." Do you agree?

Of the 75 companies exceeding performance expectations, 37% "strongly agree."



Of the 100 companies meeting or underperforming expectations, 23% "strongly agree."



SOURCE: CFO DIVE; VANTAGE RESEARCH

Financial transformation must be part of an enterprise-wide change in approach to technology.

Conclusion: The transformation of finance

Leading CFOs and their teams are developing new methods of connecting every part of the enterprise in ways that weave together technology, workflows, data, and people. It's called connected finance and it means empowering decision makers in every function, not just finance, to weigh risk and reward and act more confidently, based on real-time data.

Yet if finance executives are to deliver more value, they need to invest in technologies that will transform their department's operations, while knowing full well that technology alone will not achieve the desired result. They also need to start thinking more strategically about their role, and how finance decisions can impact the wider organization.

CFOs must raise their game and become strategic partners with the CEO and other business leaders. But this change doesn't end with the finance function. The transformation of finance must be part of an enterprise-wide change in approach to technology. CEOs and other executives outside the finance function must play their part by setting clear targets of what is to be expected of the CFO and by committing themselves to deliver more value through transformation of other functions. By doing this, finance and non-finance functions can create a positive feedback loop. They will speak the same language and have the same goals: greater value, delivered faster, and more effectively.

Survey methodology

The online survey was conducted independently by CFO Dive in April and May 2021 and consisted of 188 responses from a wide range of industries in the US. Twenty-two percent were CFOs and an additional 55 percent were other executives in the finance function. Twenty-three percent were CEOs or their equivalent. Forty-eight percent consisted of companies with annual revenues of $100 million or less.

Job Titles

23% CEO OR EQUIVALENT

22% CFO

18% DIRECTOR OF FINANCE

16% VP OF FINANCE

11% CONTROLLER

5% EVP/SVP OF FINANCE

4% TREASURER

1% OTHER SENIOR FINANCE TITLE

Companies' Annual Revenue

24% LESS THAN $50M

24% $50M TO $100M

13% $100M TO $200M

12% $200M TO $500M

11% $500M TO $1B

10% $1B TO $5B

3% $5B TO $10B

3% MORE THAN $10B

Industry

13% HEALTHCARE

11% CONSTRUCTION

10% FINANCIAL SERVICES/REAL ESTATE/INSURANCE

8% AUTO/INDUSTRIAL/MANUFACTURING

8% BUSINESS/PROFESSIONAL SERVICES

7% FOOD/BEVERAGES/CONSUMER PACKAGED GOODS

7% PUBLIC SECTOR/NONPROFIT

6% TECHNOLOGY/SOFTWARE

5% AEROSPACE/DEFENSE

5% CHEMICALS/ENERGY/UTILITIES

5% MEDIA/ENTERTAINMENT/TRAVEL/LEISURE

4% HARDWARE/NETWORKING

4% WHOLESALE/RETAIL TRADE

2% PHARMACEUTICALS/BIOTECHNOLOGY/LIFE SCIENCES

2% TRANSPORTATION/WAREHOUSING

2% TELECOMMUNICATIONS

1% PRIMARY INDUSTRY (E.G. MINNG, AGRICULTURE)

Vantage Research wrote the report, which was sponsored by Tipalti, a provider of AP software, and Tesorio, a provider of AR software.

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Vantage Research creates thought leadership for organizations around the world. It combines meticulous research and expert analysis to produce strategic B2B, B2G and B2C white papers exploring issues that define today's global business environment.

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Tesorio connects people and data to make cash flow predictable so companies can invest with a long-term view to change the world. The Tesorio Cash Flow Performance Platform replaces tedious and reactive cash flow forecasting and collections processes with total cash flow visibility, control, and predictability. Connected Finance teams are empowered to access previously unavailable data flows and transform legacy workflows to create breakthrough business value and growth while improving customer experience and relationships.

Tesorio is trusted by the world's best finance teams at companies like Slack, Box, Snowflake, Veeva Systems, Twilio, Domo, and many others to reduce average time spent building forecasts by 90%, increase average collections productivity by 2X, and reduce average days sales outstanding by up to 33 days.

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Tipalti comes from the Hebrew expression for "We handled it." Tipalti is the only company handling both Accounts Payable and Mass Pay for mid-market companies across the entire cycle: funding global entities, onboarding the global supply chain, streamlining invoice workflows, and reconciling data.

Tipalti enables high-growth companies to scale quickly by making payables strategic with operational, compliance, and financial controls. Companies can efficiently and securely pay thousands of partners and vendors in 196 countries within minutes. Tipalti customers such as Amazon Twitch, Boxed, GoDaddy, Oscar Insurance, Roku, Wordpress.com, and ZipRecruiter typically reduce operational workload by 80 percent and accelerate the financial close by 25 percent, while strengthening financial controls and spend visibility.

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