

WHITE PAPER

STATE OF THE CFO ROLE

brainyard



EXECUTIVE SUMMARY

166 Chief Financial Officers across 23 different industries participated in Brainyard's inaugural CFO survey. The goal of these surveys is to understand CFO perceptions regarding future technology, challenges, concerns, performance tracking and priorities.

Accounting and finance functions are constantly changing—from new regulations to tax reform to advancements in technology. Because of this change, CFOs are forced to take on broader responsibilities beyond traditional number crunching. Although the expanded role of the modern CFO is not a new concept in 2019, it's clear that it's still something that CFOs are struggling to keep up with. 38% of CFOs say that managing too many responsibilities is their biggest challenge. CFOs also mentioned concerns of maintaining cash flow, a familiar problem in finance. Meanwhile new challenges in cybersecurity are emerging.

On the technology front, analysts and major publications are all about the buzz of Artificial Intelligence, Internet of Things, Blockchain, Cryptocurrency, etc., but CFOs are not yet jumping at the opportunity to implement these futuristic technologies. In fact, 47% of CFOs haven't implemented these technologies today, nor do they plan on implementing them in the next three years. Instead, CFOs remain laser focused on laying a solid foundation of financial processes and systems. Better reporting, increased data visibility and implementing new financial software are among the top priorities for CFOs in the next two years.

WHAT KEEPS CFOs UP AT NIGHT?

Responsibilities

Chief Financial Officers are no longer the heads-down number crunchers they once were. Yes, running the numbers is still a critical function, but today's CFOs go way beyond that, perhaps even stretching their resources too thin. In fact, 38% of executives cited juggling too many responsibilities as their top challenge this year. Indeed, 54% of CFOs admitted to having between 11 to 15 major responsibilities day-to-day. CFOs are increasingly accountable for the strategic

Average Number of Responsibilities: 12

direction of the company (82%), on top of more traditional financial responsibilities like budgeting (88%) and auditing and reporting (84%). Meanwhile, they are required to stay on top of advancements in data analytics and associated technology to properly manage forecasting and predictive insights (88%).

What is your biggest challenge as CFO?



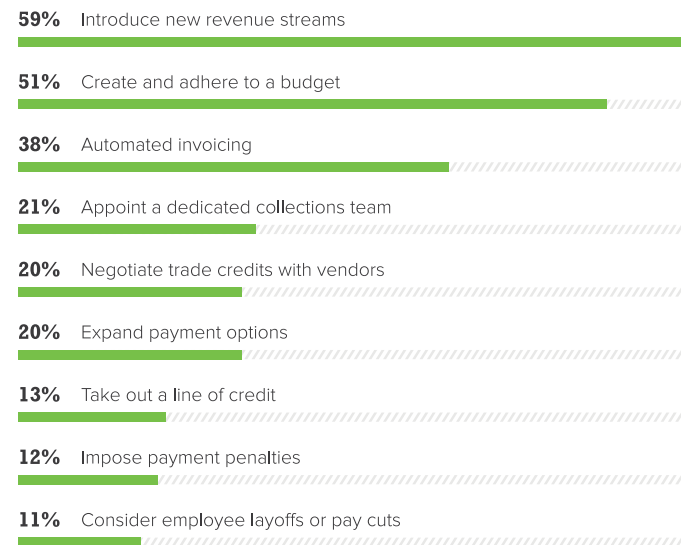


Cash Flow

Following closely behind the burden of multiple responsibilities, CFOs are challenged with the age-old problem of maintaining steady cash flow. 34% of CFOs mentioned this is a top challenge in 2019. Fortunately, executives have some best practice techniques to share on the

subject. 59% identified introducing new revenue streams as a strategy to improve cash flow, while 51% cited the importance of adhering to budget discipline and 38% suggest automated invoicing. Only 11% mentioned considering employee layoffs or pay cuts.

What techniques would you recommend to improve cash flow?

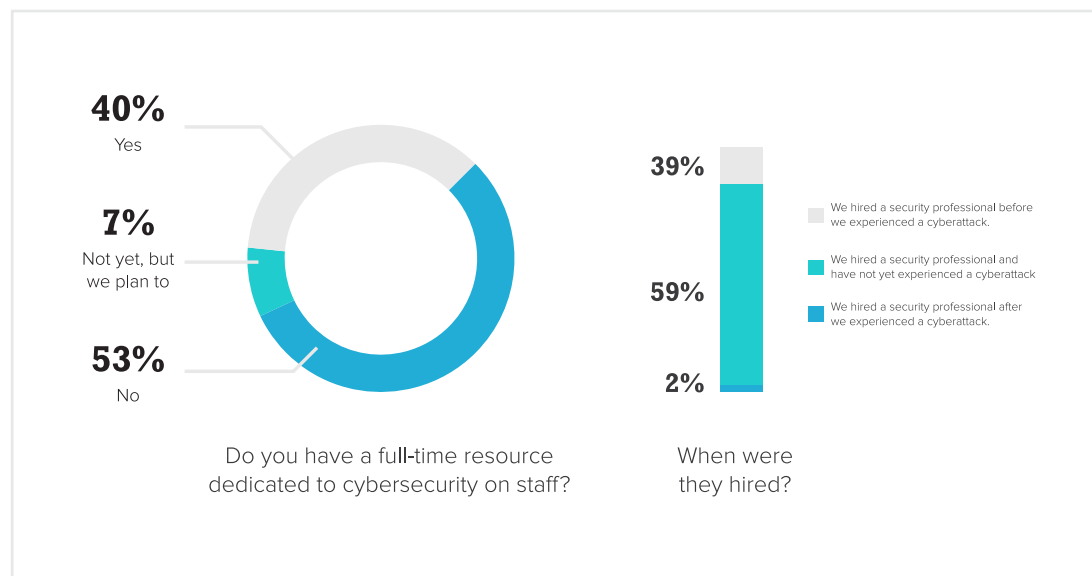




Cybersecurity

With notable cyber breaches happening almost daily, Chief Financial Officers are forced to be security savvy. 71% of CFOs ranked data security as their top concern, and 33% of CFOs have experienced a cyberattack. Luckily, of these CFOs, 64% only experienced one or two attacks, however a large portion (23%) have experienced more than six security incidents. 61% of those attacked believe each instance cost less than \$10,000.

On the other hand, 14% said the attacks cost the business between \$10,000 and \$50,000. In response to the rise in security threats, companies are gearing up. 47% either already have a full-time resource dedicated to cybersecurity on staff or plan to hire one soon. And this appears to be working, as 59% of those companies who've hired a full-time resource have yet to experience an attack.



CFOs NOT BUYING INTO THE NEXT GEN TECHNOLOGY HYPE JUST YET

Advanced Technologies

Despite the buzz surrounding Internet of Things (IoT), blockchain, cryptocurrency, Artificial Intelligence (AI) and machine learning, CFOs aren't quite sold. The majority of CFOs (47%) are not using now, nor do they plan to use any of these advanced technologies in the next three years.

Internet of Things (IoT)

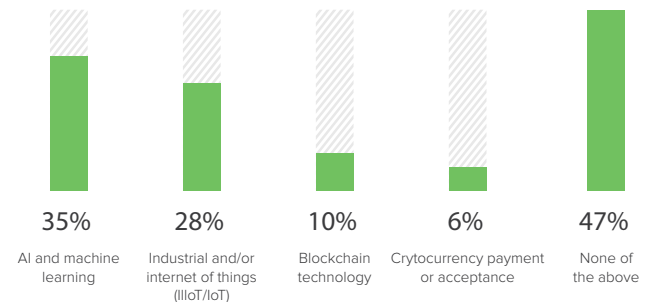
28% of CFOs are leveraging Internet of Things technology today or plan to leverage it in the next three years. The manufacturing and distribution industries leverage this technology most—50% of

CFOs who indicated IoT use represented those industries.

Blockchain

CFOs believe blockchain won't change the finance department much in the next five years. 48% rated it as the lowest or second lowest driver of change, and only 10% indicated using it today or having plans to use it in the future. In fact, 56% said blockchain will not change the finance department at all. But there is a portion of CFOs that are more optimistic about this technology: 39% believe blockchain will change finance for the better.

Which of the following are you leveraging now or plan to leverage in the next 3 years?





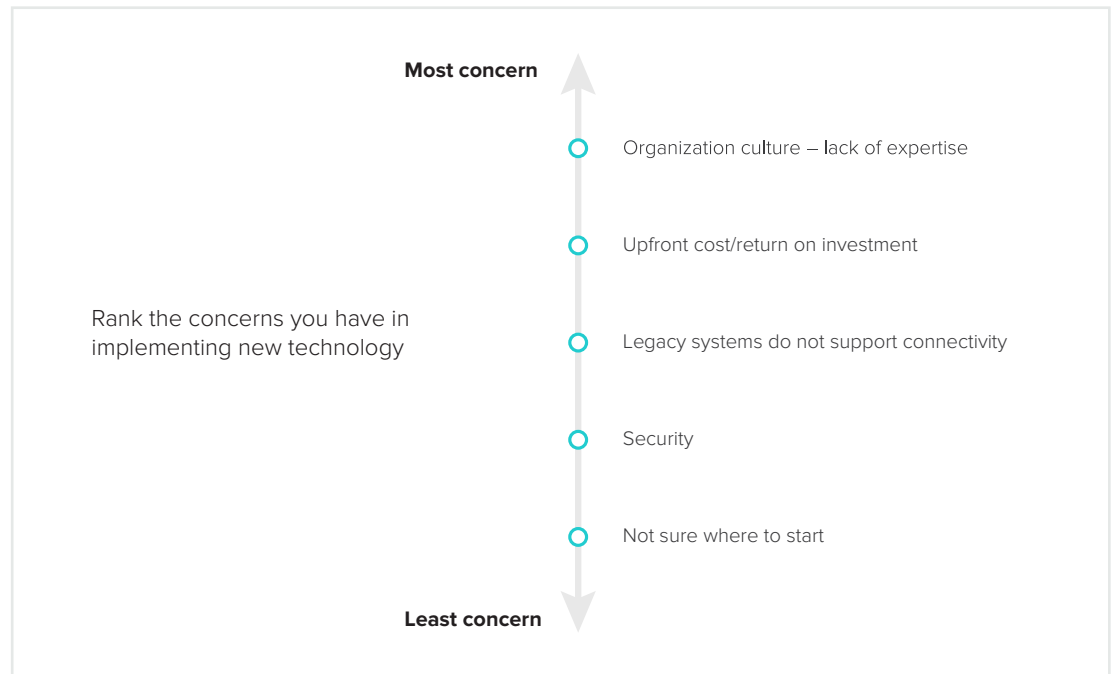
Cryptocurrency

CFOs are the most skeptical of cryptocurrency. Only 6% noted that they are currently or will in the future accept and/or make payments in cryptocurrency.

Artificial Intelligence (AI) and Machine Learning

Of these advanced technologies, CFOs are most bullish on AI and machine

learning. 35% of Chief Financial Officers are either using this technology today or plan to in the next three years. 74% of CFOs believe AI and machine learning will improve the finance department, while only 2% think it will be a detriment.



BACK TO THE BASICS

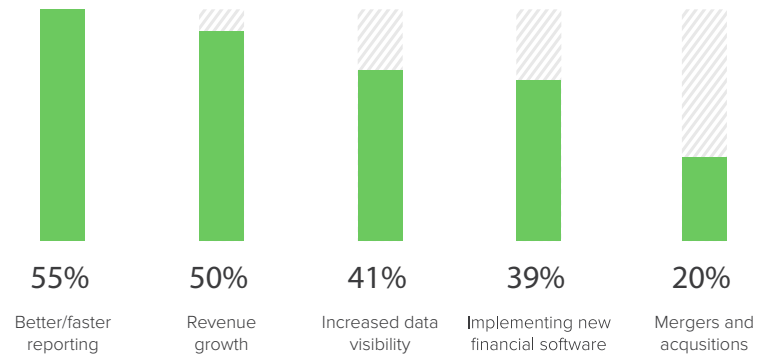
Technology Priorities

Instead of jumping at the opportunity to implement advanced technology, CFOs are still primarily focused on laying a solid foundation of processes and business systems.

Today's typical finance department is far from fully automated. CFOs use spreadsheets for an average of 2.24 hours per day, accounting for the largest percentage of the average CFO's day. Many chiefs realise the need to improve

these processes and are working on implementing better systems, or optimising the ones they have. In fact, better and faster reporting (55%), increased data visibility (41%) and implementing new financial software (39%) are all top priorities for CFOs in the next two years. On top of that, 52% of CFOs ranked accounting/finance software as the first or second highest driver of change in the next five years. Luckily, 91% said that this software would change the accounting department for the better.

Top 5 priorities in the next 2 years



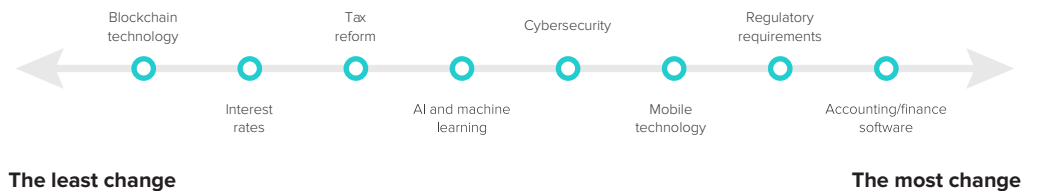


Causes of Change

Aside from improved business systems, revenue growth and acquisitions, regulatory compliance is also a top priority for CFOs today. With new accounting rules like IFRS 15 and AASB 15 Revenue from contracts with customers all emerging in

the last few years, CFOs must constantly be in the know on these new standards. However, chiefs aren't going at this alone. The majority of CFOs look to auditing firms (52%) for support, followed by their controllers (36%) to lead the charge in implementing new standards.

What will change the finance department most in the next 5 years?



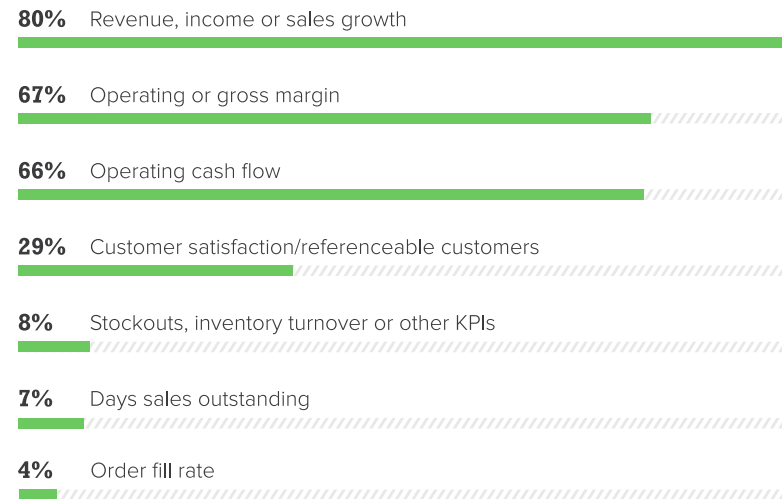


Measuring Success

Revenue, income or sales growth metrics prove to be most important to Chief Financial Officers, as 80% cited this as the most important KPI. Surprisingly customer

satisfaction is a lower priority—only 29% mentioned this as a top metric. Perhaps this is because 66% of chiefs said they already have good or very good customer satisfaction or referenceability metrics.

Select the top 3 most important KPIs for your business





Finance KPIs

CFOs report that metrics around operating cash flow, stock-out, inventory turnover and similar inventory metrics are all challenges. 18% of CFOs admitted

that their operating cash flow was poor, or very poor and 23% admitted to having poor or very poor, stock-out, inventory turnover or other inventory metrics.

	Poor or very poor	Satisfactory	Good or very good
Day sales outstanding	15%	31%	53%
Operating cash flow	18%	26%	56%
Revenue, income or sales growth	9%	27%	64%
Operating or gross margin	10%	31%	59%
Stockouts, inventory turnover or other inventory KPI	23%	37%	41%
Order fill rate	13%	35%	53%
Customer satisfaction/referenceable customers	7%	26%	66%

CONCLUSION

The job of CFO continues to evolve, particularly in smaller companies where CFOs must have a solid understanding beyond just accounting, tax liability and funding. It includes overall business operations and the associated risks and opportunities. That translates into increased responsibility around data analysis and business modeling as well as understanding and managing threats like cyber crime.

The result is an increase in the number of major responsibilities CFOs ascribe to themselves and increasing concern over managing everything that falls within the scope of the job. While concerns for classic matters such as cash flow are still front and centre, increasingly so too is providing up to the moment data and analysis on functions across the business.

As a result, CFOs are exploring technologies that will help with business analysis, up to and including AI. They're also looking to automate functions ranging from reporting to invoicing and

collections. This points to successful CFOs being highly tech-literate and focused on adopting technologies beyond just accounting and ERP.

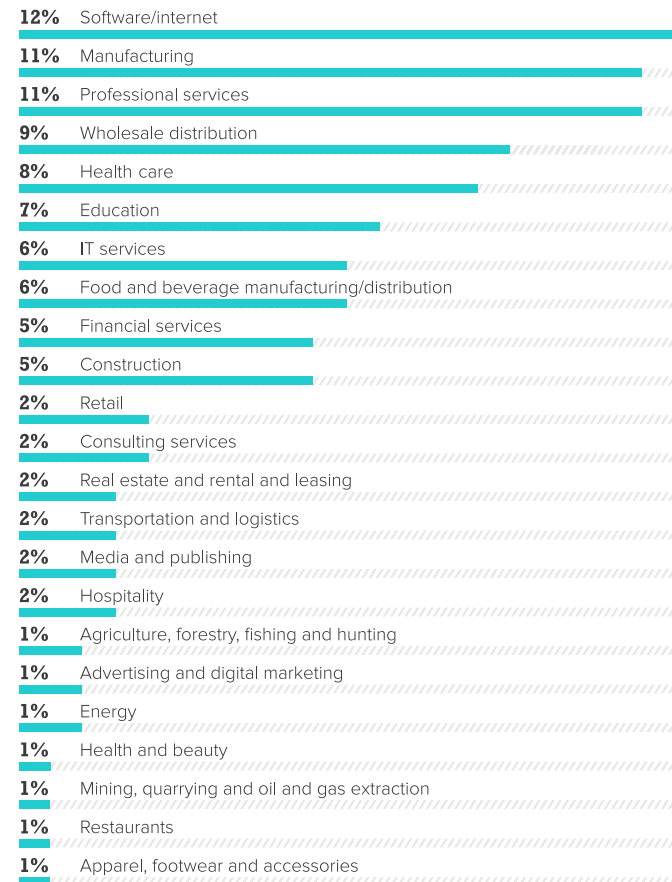
Technical interest does not extend to some of the most talked-about trends, however. Blockchain, cryptocurrencies, IOT and virtual reality are well down the priority list of the small to mid-sized enterprise CFOs in our survey.

In virtually all of their responses, it's easy to see the CFO as manager of risk. It came through in concerns for cybersecurity, and did again with key talent recruitment and retention, and ranks up there with cash flow management, sales growth and operational efficiency.

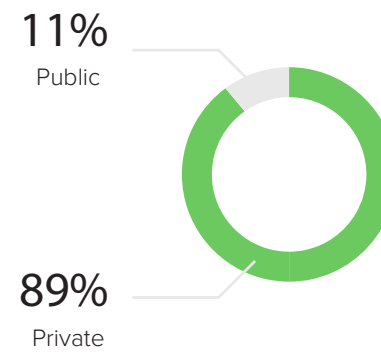
APPENDIX

Demographics

Respondents by industry



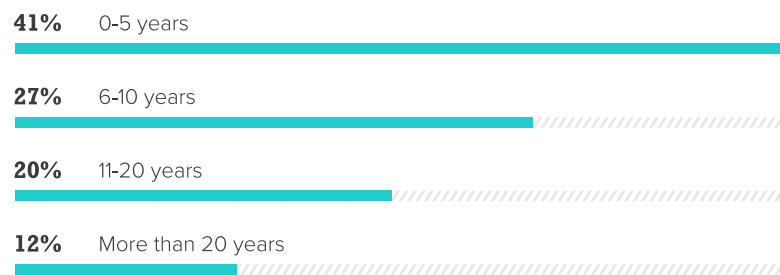
Public vs. private
company respondents



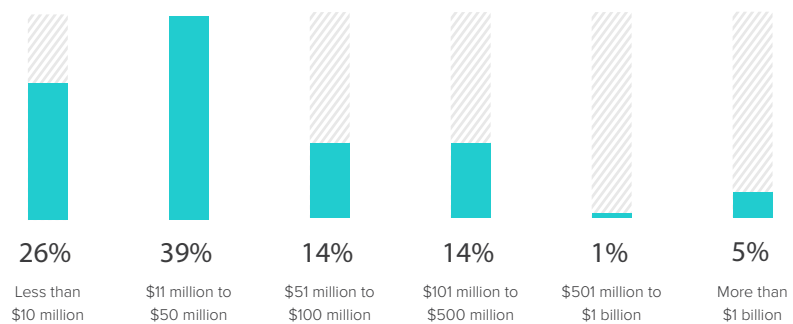
% of respondents
by revenue band



Respondents by years of experience

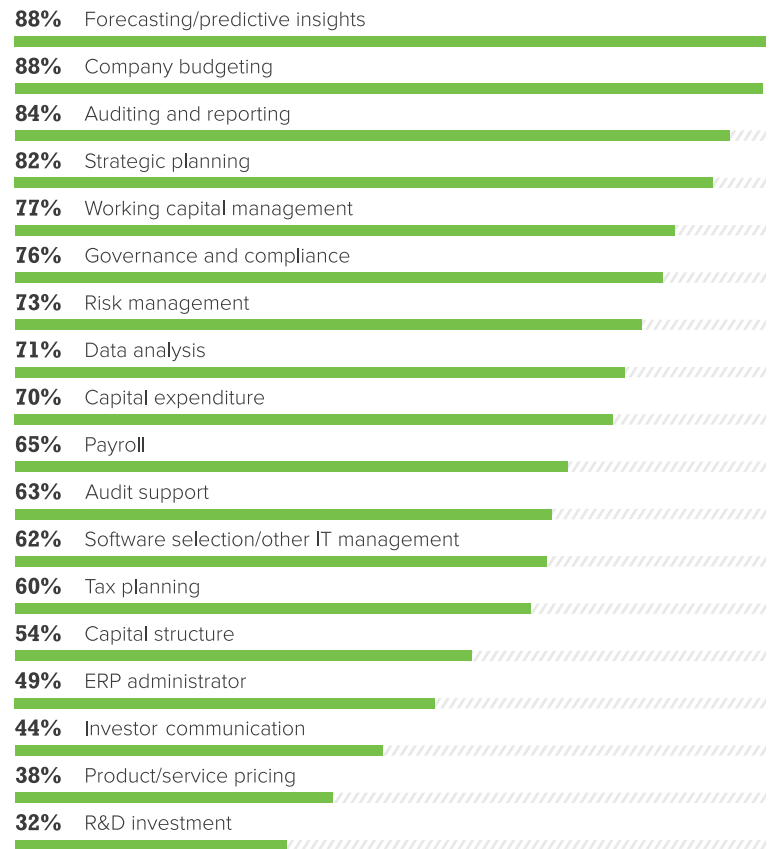


% of respondents by revenue band



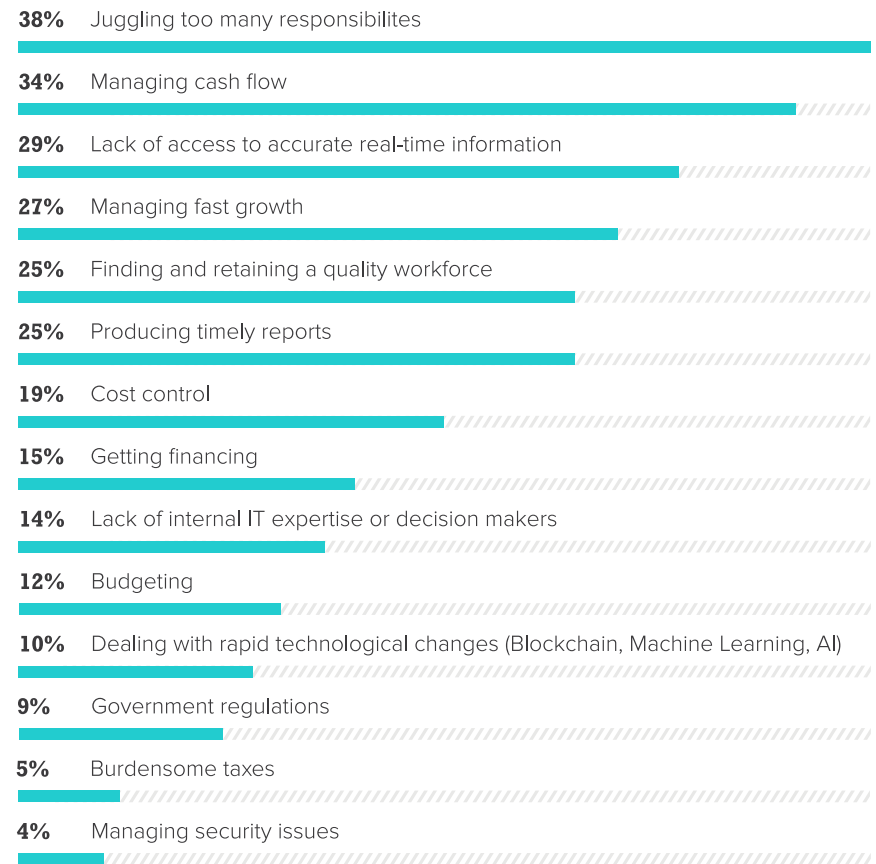
CFO Responsibilities

What are your current responsibilities as CFO?



CFO Challenges

What is your biggest challenge as CFO (select up to 3)?

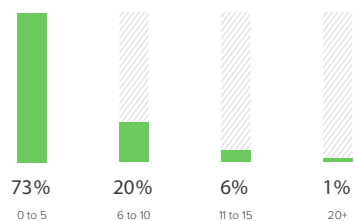


Software Tools

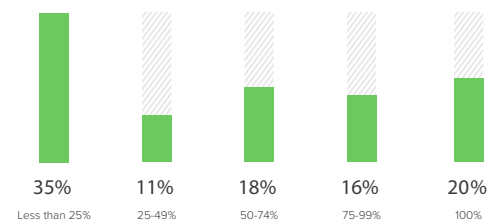
How many hours per day do you use each of the following tools?



How many business systems and point solutions do you use?

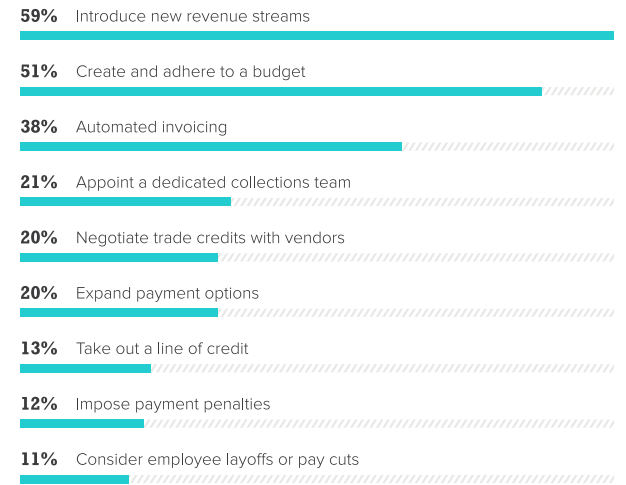


How many of these systems are in the cloud?



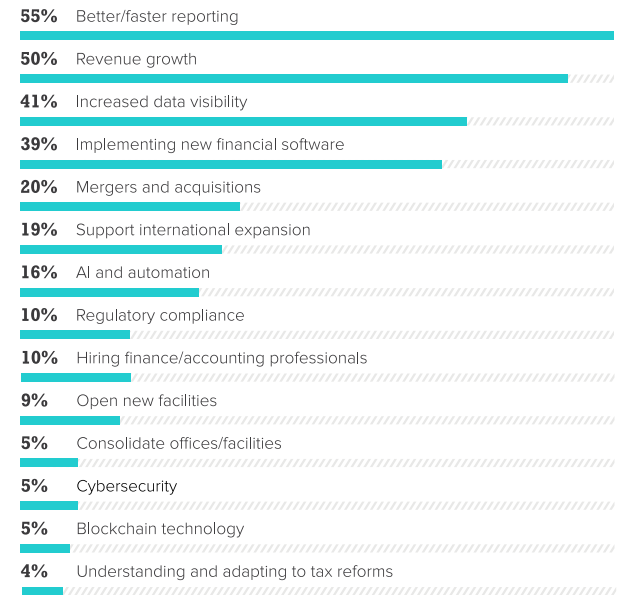
Cash Flow Techniques

What techniques would you recommend to improve cash flow?



Top Priorities

What are your finance department's top 3 priorities in the next two years?



Biggest Changes to the Finance Department

What will change the finance department most in the next 5 years (Rank 1-8)?

	% that rated it a 1 or 2 (most change)	% that rated it a 7 or 8 (least change)
Accounting/Finance Software	52%	13%
Regulatory Requirements	29%	12%
Mobile Technology	33%	17%
Cybersecurity	23%	14%
AI and Machine Learning	27%	23%
Tax Reform	12%	30%
Interest Rates	11%	43%
Blockchain Technology	12%	48%

How will the following change the finance department?

	For the worst	Will not change	For the better
Regulatory Requirements	51%	31%	18%
Blockchain Technology	5%	56%	39%
AI and Machine Learning	2%	23%	74%
Mobile Technology	0%	19%	81%
Accounting/Finance Software	0%	9%	91%
Interest Rates	31%	60%	9%
Tax Reform	37%	48%	15%
Cybersecurity	29%	37%	34%

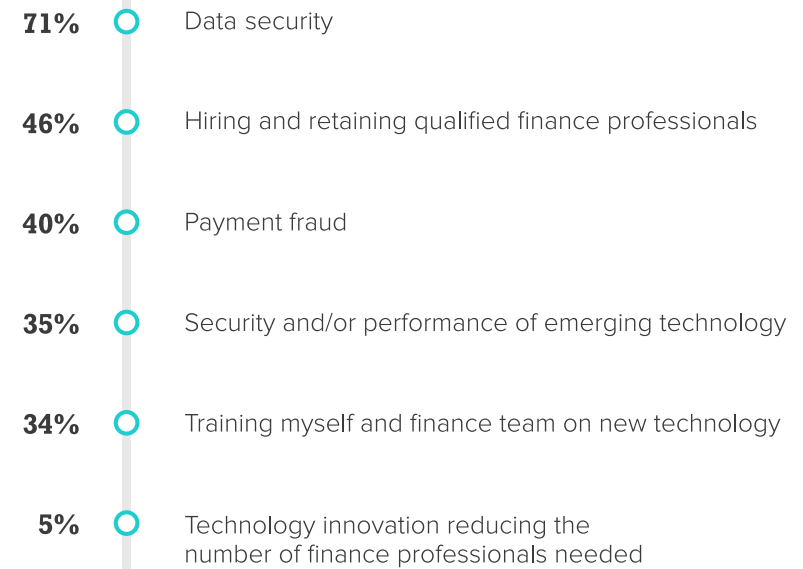
Concerns

Rank the concerns you have regarding the implementing new technology

	% that rated it a 1 or 2 (most concern)	% that rated it a 4 or 5 (least concern)
Organization culture Lack of expertise	62%	18%
Upfront cost Return on investment	56%	25%
Legacy systems do not support connectivity	27%	46%
Security	30%	52%
Not sure where to start	29%	56%

**Rank your concerns with the following
(% of high or very high concern)**

Most concern



Least concern

ORACLE NETSUITE

Australia

Phone: 1800 638 784

www.netsuite.com.au

New Zealand

Phone: +64 9 977 2100

Singapore

Phone: +65 6436 1000

www.netsuite.com.sg

Hong Kong

Phone: +852 3655 7400

www.netsuite.com.hk

Japan

Phone: +03-6834-4888

www.netsuite.co.jp

Philippines

Phone: +632 856 3888

India

Phone: +91 80 4029 8789

Phone: +91 80 4029 8809

www.netsuite.com/in



infoapac@netsuite.com