Gartner

The CFO Report

Gartner answers to top CFO challenges

3Q24

This edition's top CFO challenges

1.

Which finance technologies are my peers investing in?

2.

How do digital finance talent's preferences differ from those of core finance talent?

3.

How do I acquire in-demand digital skills?

4.

How can I modernize the organizational structure of my finance function?

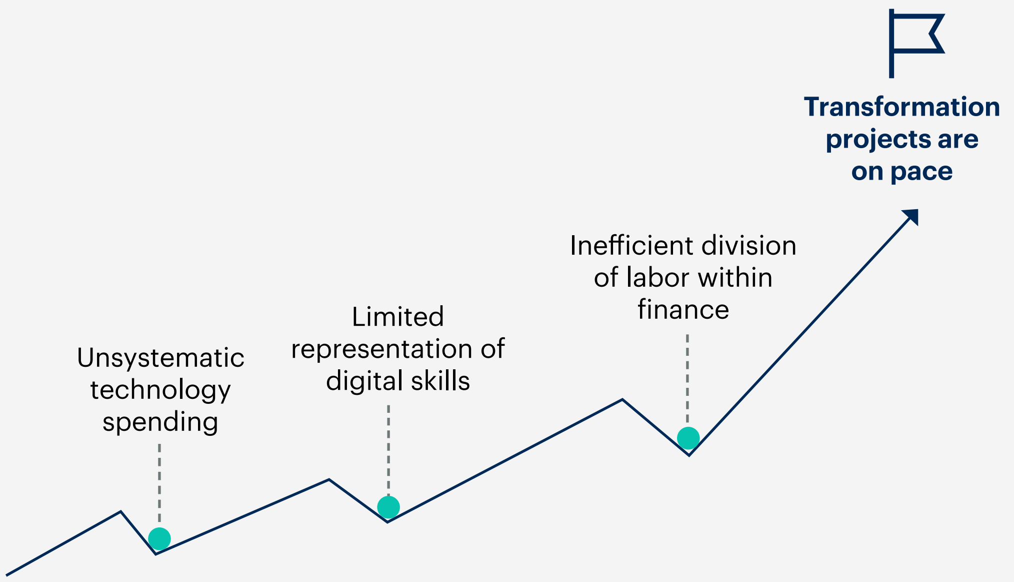
3 factors slow transformation progress — this is how CFOs can respond

Almost 70% of finance transformation projects are moving slower than expected. Accelerating progress requires CFOs to target common sources of drag across critical 2024 focus areas of finance technology, talent and organization design:

1. **Unsystematic technology spending —** Limited clarity on the most critical technology investments to make, particularly as technology options continue to proliferate and technology spend continues to accelerate
2. **Limited representation of digital skills —** A gap between finance's ambitious digital transformation goals and the employees capable of delivering on them
3. **Inefficient division of labor within finance —** Work duplication as well as unclear and outdated roles and responsibilities within and across finance organizational structures

Use the latest edition of The CFO Report to better understand the evolving finance technology landscape, the skill sets required for transformation progress, and how to modernize your organizational structure.

3 sources of drag slowing finance transformation

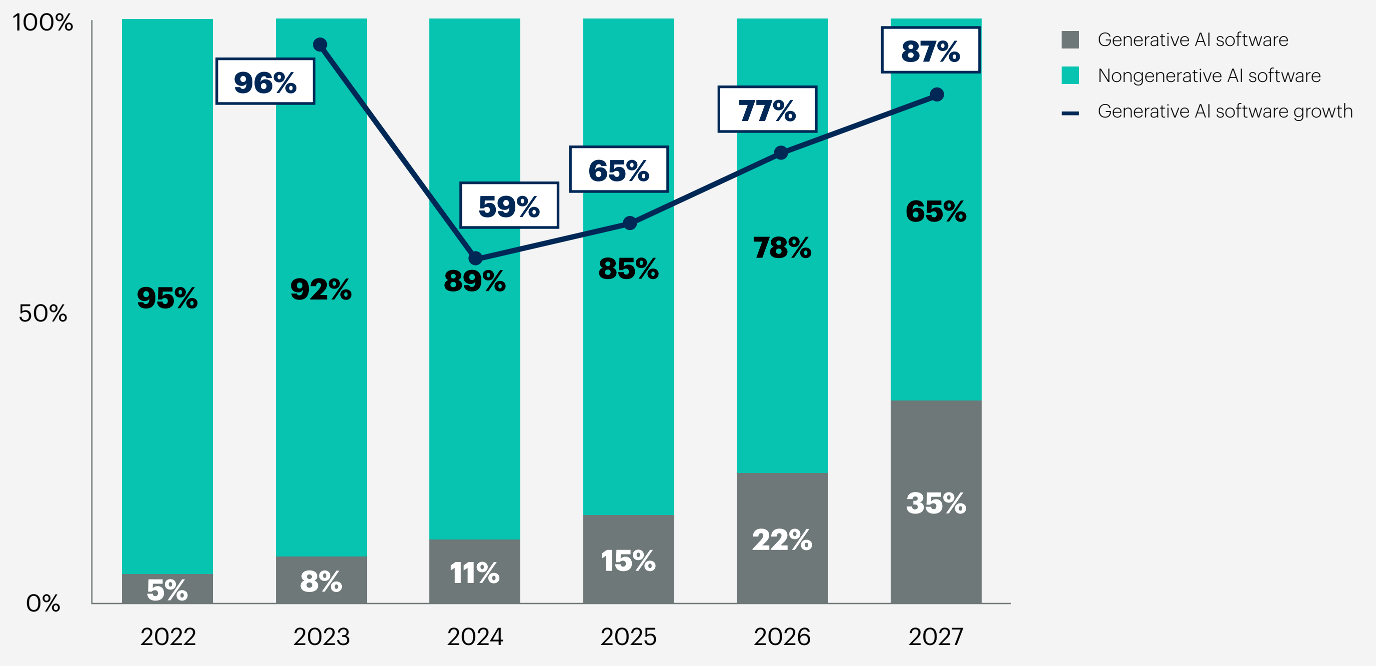


Source: Gartner

Which finance technologies are my peers investing in?

Ninety-eight percent of boards of directors report that enterprise technology investments will continue at the same or at an accelerated pace in 2024 and 2025. As the pace of finance technology development accelerates, CFOs face a multitude of options when it comes to where to spend — and need to make sure they choose wisely. To avoid getting dragged down by unsystematic technology spending, they must understand which technologies offer the greatest value, as well as which new and evolving technologies are becoming more prevalent within the finance function.

Generative AI spend and growth forecast



Source: Gartner

Compare peer technology spend to your finance technology roadmap

Benchmark your organization's approach to technology spend using take-aways from the 2024 Gartner Finance Technology Bullseye Report, which aggregates responses from 350+ finance professionals to map technology based on their assessment of adoption, value and future investment.

Core finance technologies

Ex: General ledger technology and on-premises ERP

Although much of finance's technology investment is concentrated in the "core" category, investment in core technologies is expected to fall over the next two years, with one notable exception: cloud ERP technology. Gartner predicts that by 2027, 77% of growth in the ERP market will come from cloud offerings.

Advanced data analytics

Ex: Data mining, big data analytics, generative AI

Fifty percent of the top technologies across the bullseye in future investment were related to AI and ML technologies compared to only 10% in the previous period. Successful organizations will match AI and ML maturity to use cases, build a data science competency directly within finance, and position AI and ML as a co-worker that helps employees perform their jobs better.

Process automation and optimization

Ex: Reporting automation, process mining, RPA

The majority of process automation and optimization technologies have lost investment YoY, but robotic process automation (RPA) investment is on the rise. In the past five years, it has expanded from a screen-scraping tool with minimal workflow capabilities to a robust solution containing other technologies like process mining, business process automation (BPA) and decision automation.

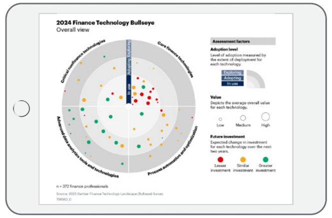
Critical nonfinance technologies

Ex: Customer relationship management (CRM); mobile-based applications; configure, price and quote (CPQ)

CRM technology is the most valuable nonfinance technology, and finance leaders report maintaining YoY levels of investment. Blockchain showed a significant drop in value and investment YoY, as it had the highest drop in both categories for all technologies, along with the second lowest adoption rate. Once promising, use of blockchain in finance as a distributed, write-only ledger has not come to fruition.

Take action with Gartner support

Validate your approach to finance technology decisions by reviewing the full set of findings from the 2024 Finance Technology Bullseye Report.



Connect with your finance transformation leader to understand how these trends compare to what's in your function's technology roadmap.

Schedule a call with a Gartner expert to determine whether you're prioritizing the technologies most likely to add value to your organization and dedicating sufficient resources to them.

Mike Helsel
Senior Director Analyst

Use the Gartner Guide to Building a Finance Technology Roadmap to identify gaps in your current technology portfolio and prioritize areas of investment.

How do digital finance talent's preferences differ from those of core finance talent?

By 2027, CFOs expect one in two finance employees to be digital talent. But at most organizations, digital talent makes up less than 20% of the finance function, with a significant portion (28%) having a minimal amount (1% to 10%) of their function qualify as digital finance talent.

CFOs recognize the role digital talent must play in their function's digital success, but finance transformation leaders encounter many roadblocks when attracting and retaining digital talent.

Not only is digital talent more expensive than core finance talent, these employees are more likely to prioritize career opportunities and growth over core finance talent.

Most important job factors for digital finance talent

Rank	Attrition drivers for digital finance talent	Attrition drivers for core finance talent
1	Compensation	Compensation
2	Respect	Manager quality
3	Manager quality	Respect
4	Growth	People management
5	Future career opportunity	Work-life balance

Digital finance talent are more likely to leave a current employer due to **poor career opportunities** and **lack of growth.**

n = 133 digital talent and 416 core finance talent in the finance function
Source: 4Q23 Gartner Global Labor Market Survey

Prioritize career pathing and growth opportunities for in-demand digital talent

To successfully attract and retain digital finance talent, you'll need to use different approaches than what the finance function typically deploys for core finance talent. Leaders should lean into these four clear focus areas to help secure and retain this valuable talent:

1. **Compensation.** Digital talent is expensive, but it is likely that digital finance talent already lives in small pockets across most finance functions since they are not formally named as "digital talent." Find these individuals and place a stronger emphasis on building their skills and creating opportunities for them to apply those skills.

2. **Career paths.** Finance career paths lack the applicability and flexibility to satisfy digital finance talent. Instead, finance functions should clarify job possibilities for digital staff within the function by offering more flexible career opportunities through the approach of experience-based career pathing.

3. **Work environment.** Drive a greater sense of belonging among digital talent by providing them with a shared sense of purpose. Do this through restructuring planning for digital initiatives to include digital finance talent in goal setting, reframing future career growth possibilities in terms of experience and knowledge, and building greater kinship with their core finance peers.

4. **Manager impact.** Direct managers to expand career conversations to include lateral moves and experience-based career paths so digital talent can see how their work will lead to career progression and new opportunities. Additionally, hold managers accountable for spotting on-the-job opportunities to upskill and apply digital skills.

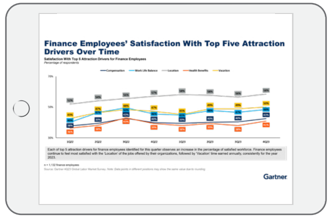
Take action with Gartner support

Talk to a Gartner Executive Partner — a former CFO who supports client priorities — to review your employee value proposition (EVP) and improve its appeal to digital finance talent.

James Sloan
Executive Partner

Work with your HR partners to craft compelling job descriptions for attracting in-demand digital talent to your finance function.

Learn more about digital finance talent's preferences by reading the CFO's Guide to the 2024 Finance Talent Labor Market.



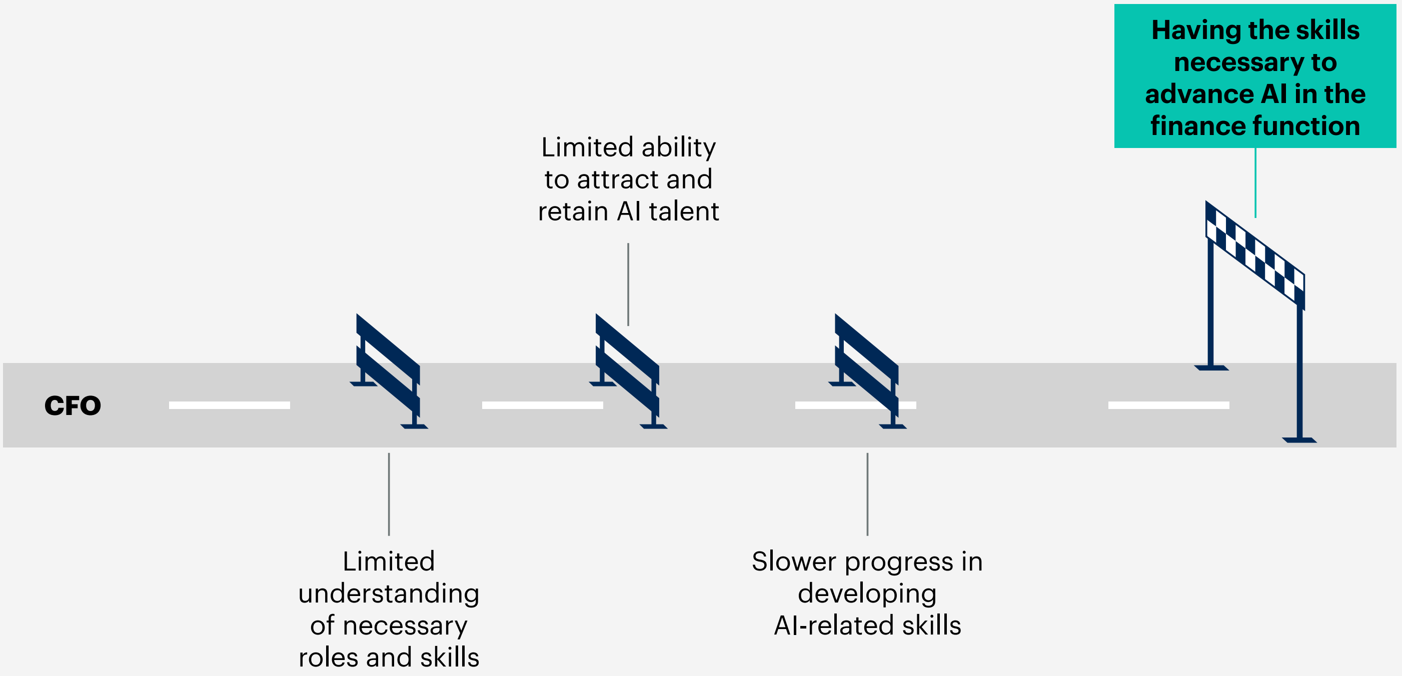
Download Help Digital Talent Fit Into Finance to drive digital talent engagement and retention within your organization.

How do I acquire in-demand digital skills?

While the exact mix of skills finance functions require will depend on their needs and maturity, AI skills and data science skills are two must-haves for many digitally ambitious CFOs. Finance functions with AI skills are taking advantage of the exciting new technology developments that have captured attention across industries, with 71% of finance leaders increasing spending on AI by 10% or more compared to last year. Meanwhile, data science skills — which involve extracting insight from large-scale data assets — can support the use of advanced analytics technologies, including AI.

While CFOs have been working on sourcing data science skills for a long time, AI skills are a relatively new goal for most finance functions. CFOs are facing multiple challenges in acquiring these skills today.

Primary challenges to achieving the goal for AI skills



Source: Gartner

Develop a build-buy-borrow strategy for data science and AI skills

Finance needs new data science capabilities to deliver AI, including talent with new skills and capabilities. Keep the following recommendations in mind as you develop a build-buy-borrow skills strategy:

- **Build.** Developing data science skills in current finance employees enables leaders to infuse data science projects with business knowledge, which improves actionability and the likelihood of adoption while retaining critical design knowledge. The logic and coding of these new, high-value models will be among any organization's most valuable intellectual property, so organizations cannot solely rely on externally purchased models and tools. At the very least, some finance staff must have enough basic fluency to advise technical professionals in the customization and implementation of purchased solutions, as well as internally developed solutions.

- **Buy.** Hiring data science professionals with technical skills is an eventual necessity for nearly all finance organizations to create trustworthy AI and avoid incurring technical debt. The cost of data science talent can be managed by narrowly scoping the role of hired positions to only those activities that are beyond the reach of internally developed talent. For example, several leading finance data science teams have used a model of pairing three to four internally developed citizen data scientists with an externally hired data scientist, who is focused on model design and quality assurance.

- **Borrow.** Utilizing business service providers (BSPs) and contractors can reduce the cost of routine work and add new capabilities for mature teams, but overreliance on contractors will incur significant long-term costs. Finance leaders can extract value from contractors or outsourcing partners in four common scenarios:
  - Building proofs of concept
  - Boosting the internal team's capabilities with a skills accelerator
  - One-time development using skills with limited future value to the organization
  - Low-value administrative and maintenance work

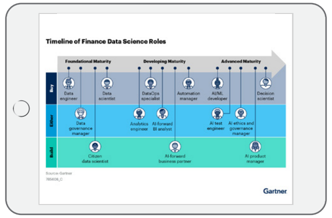
Take action with Gartner support

Work with your finance transformation leader to assess your finance function's current level of AI skills (including AI-adjacent competencies).

Schedule a call with a Gartner expert to determine whether you need to build, buy or borrow this talent and create a strategy for attracting and retaining them.

Nisha Bhandare
VP Analyst

For more support developing an AI talent strategy, read When to Build, Buy or Borrow Data Science Talent in Finance.



Attend an upcoming Gartner CFO & Finance Executive Conference for in-person networking and sessions like **Generative AI: Should You Build or Buy the Tools and Platforms?**

How can I modernize the organizational structure of my finance function?

Despite two decades of transformation, finance organization charts today are strikingly similar to those of the early 2000s. Most finance structures are still based on finance's traditional activities, goals and ways of working, and don't take into account current realities or future possibilities enabled by technology. However, as technology spend increases and more digital talent becomes necessary, these traditional structures can lead to unnecessary inefficiencies.

Manipulating finance's organizational structure can help CFOs adjust finance's operating model to better achieve transformation goals. Consider the extent to which changes to business process outsourcing, service delivery centralization, subfunction structure, reporting relationships and digital delivery can help reduce inefficiencies and speed up transformation efforts.

Consider changes to the level of centralization within your finance function

One key lever for CFOs to pull when adjusting their organizational structures is the degree to which finance is centralized. Centralization has historically led to concerns of overstandardizing work at the expense of business-unit-specific support. Today, however, the conversation has changed in recognition of the scaling technology benefits from a higher level of centralization. In fact, 93% of finance leaders intend to have a more centralized function by 2025 through the use of more centers of excellence (COEs) and shared delivery models.

When considering potential changes to the level of centralization in your function, think about factors such as the scope of activities performed, criteria for labor and location selection, and the nature of the services. The figure provides additional considerations for deciding between two centralized structures: a COE or a shared services delivery model.

Comparing COEs and shared services

Centers of excellence		Shared services
Narrow — Singularly focused on one process, service or skills area	**Scope of activities**	**Broad** — Provides a variety of services, potentially across multiple functions
Specialized — Specialization is a key requirement; cost is secondary	**Criteria for location and labor selection**	**Efficient** — Low cost is a key objective
Value-added — Services that require specialized expertise	**Nature of services**	**Transactional** — Mostly rule-based services

Source: Gartner

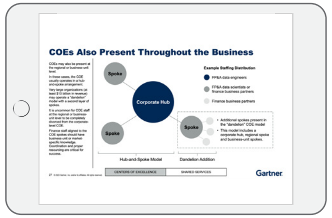
Take action with Gartner support

Task your finance transformation leader with creating a plan to document finance's current set of activities as a first step to redesigning your organizational structure to better suit your digital ambitions.

Schedule a call with a Gartner expert to understand the new considerations around outsourcing, subfunction scope and centralization that today's finance functions should take into account when reworking their organizational structure.

Geraldine Garaud
Senior Director Analyst

For more details on the steps to take to evaluate and update your organizational structure, review the Finance Organizational Structure Playbook.



Watch The CFO Leadership Series: Redesign Finance for the Future for expert guidance that will help you evolve your function to enhance automation, break down silos and optimally allocate resources.

Actionable, objective insight

Position your organization for success. Explore these additional complimentary resources and tools for finance leaders:

Report

4 Steps to Develop a Finance Transformation Roadmap

Improve transformation results by following an iterative planning approach.

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Guide

2024 Gartner CFO & Finance Executive Conference Highlights

Access highlights from key sessions at the conference attended by 2,000+ finance leaders.

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