Chief Financial Officers – Priorities in 2018
“Dare to transform”

420 Respondents
70 Chief Financial Officers interviewed
2 Round tables

In partnership with:

pwc

DFCG
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Presentation of the survey
On behalf of PwC and DFCG, I am very proud to introduce this new edition of Chief Financial Officers – Priorities in 2018: “Dare to Transform”.

This year, our survey features testimonials from Chief Financial Officers and feedback on their transformation projects. It also explores CFO priorities in 2018 and for the next three years, and how these priorities rank depending on the size of a company.

Performance management is the number one priority in 2018 and for the next 3 years

For today’s CFO, Performance Management clearly exceeds all other priorities, accounting for 73% of votes in 2017 vs 64% last year.

Moreover, it remains the top priority in 2018 and for the next three years in all companies — regardless of their size!

Having said that, it is also clear that the concept of Performance we have today is set to evolve towards a broader model that includes non financial indicators.

When it comes to other priorities for CFOs, the gap is less pronounced between 2nd and 3rd place, with Growth Strategy accounting for 52% of votes and Process Optimisation for 51%. The three last priorities are Cash Management, Risk Management and Organisation & Human Capital.

Regarding Cash Management, the focus this year is on transactions security and working capital management.

For the next three years, Process Optimisation appears to have been relegated to last place, possibly as a result of the technical debt accumulated after years of specific changes and developments that are costly to implement and maintain.

From “Business Partner” to “Chief Performance Officer”

While Chief Financial Officers have traditionally and continue to be considered first and foremost as a “Business Partner”, another concept is emerging — that of a “Performance Partner” or Chief Performance Officer.

This single notion does however mask the different levels of maturity that exist depending on a company’s size.

While Small Companies and SMEs are still aligning their Finance Functions and businesses through common language and standards, Large Companies have already taken matters to the next level. The new CPOs are now equipped with digital levers that enable them to bring added value to the businesses and broaden their scope beyond purely financial considerations.

What struck me the most in this survey was the strong interest — at last! — in data analytics and digital dashboards.

Around 89% of respondents want to improve their reporting and dashboards, and are planning to use new and even prescriptive data analysis techniques.
Looking for agility and transversality

**Agility** is the word I heard the most during the interviews!

While their size can be an asset for Large Companies, it can also be a constraint when it comes to agility.

Similarly, Middle Market Companies and Smaller Companies also need to become more agile to innovate, raise money, form partnerships and evolve.

The key question is how to become more agile? One model is undoubtedly start-ups which are agile by definition and with which Large Companies are eager to collaborate.

As new technologies continue to evolve, so they appear to be more firmly entrenched in the DNA of today’s Chief Financial Officer.

Robotisation, for example, is innovative concept that Large Companies have already widely tested in 2017, and are even planning to implement on an industrial level.

The search for **transversality** is another key point in this 2018 survey, with companies developing new ways of sharing practices, including Large Companies which have very diverse activities.

**The importance of Millennials**

We met with more than 70 Chief Financial Officers for this survey, all of whom raised the issue of hiring and integrating young people. They all share the same challenges: the generation gap between ideas and expectations, lower commitment to a given brand or company, and so on.

As you will see from the survey, several Chief Financial Officers have collaborated with their HR Departments on new and innovative methods of recruitment and integration.

We expect this new trend to strengthen in the years ahead as Organisation & Human Capital becomes a major priority in the next three years.

On behalf of the PwC team, I hope you enjoy reading the survey and find plenty of food for thought and action: [www.pwc.fr/priorites-2018-directeur-financier.html](http://www.pwc.fr/priorites-2018-directeur-financier.html)
**Survey methodology**

1. **online survey**
2. **CFO respondents**
3. **interviews**
4. **round tables with DFCG**

**Breakdown by company size**

- **14%** Small companies  
  Revenue < €10m
- **43%** Middle market companies  
  Revenue < €1,500m
- **21%** SMEs  
  Revenue < €49 m
- **22%** Larges Companies  
  Revenue > €1,500 m

**Breakdown by business industry**

- **20%** Manufacturing
- **14%** Distribution/Consumer goods
- **11%** Services
- **9%** Banking/Insurance
- **7%** Real estate/Construction
- **7%** Pharmaceuticals/Health
- **5%** Telecommunications/Tech
- **5%** Transportation/Logistics
- **5%** Energy/Utilities
- **4%** Other:
  - Media/Entertainment
  - Public sector
  - Luxury goods
Acknowledgments

Our sincere thanks to the 420 Chief Financial Officers who agreed to share their insights and challenges for 2018 in our online survey and to the 70 Chief Financial Officers* who took part in the one-on-one interviews.

*Six Chief Financial Officers wished to remain anonymous
Summary of the survey
Performance management: ranking of priorities in 2018 and for the next three years

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<th>2018</th>
<th>3 years</th>
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<td>Growth Strategy</td>
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<td>Process Optimisation</td>
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<tr>
<td>Cash Management</td>
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<tr>
<td>Risk Management</td>
<td>5</td>
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<tr>
<td>Organisation &amp; Human Capital</td>
<td>6</td>
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</table>
Stark difference in the ranking of priorities by company size except for Performance management

**Priorities in 2018**

- Performance management
- Growth strategy
- Cash management
- Process optimisation
- Risk management
- Organisation & Human capital

**Priorities for the next 3 years**

- Growth strategy
- Performance management
- Cash management
- Organisation & Human capital
- Risk management
- Process optimisation
Focus on 2018 priorities – Performance management (1/6)

The fact that Performance Management is the top priority for Finance Departments reflects a real need to provide added value to the businesses, something which can only really be achieved by bringing finance and operations into line and processing data with digital technologies.

3 areas for improving Performance Management

- **90%** Enrich performance management model.
- **79%** Implement new performance management methods.
- **68%** Align finance and operations.

89% of Chief Financial Officers want to improve their reporting and dashboards using more data visualisation and by improving their production methods.

59% of Chief Financial Officers want to implement predictive and prescriptive analyses.

As a CFO, my job is to ensure that my controllers have a clear understanding of the business in the same way as a CEO must ensure that their operational staff are aware of the financial indicators in play.

Jerôme de Bertoult
Desmet Ballestra

Since it was founded 50 years ago, the Finance department has carried out so much reporting and analyses that we tend to lose track. My goal is to simplify our reporting in order to save time and focus on the key underlying messages that are most relevant and valuable for everyone.

Olivier Moly
Conforama
Building on the notion of performance management, today’s CEOs first and foremost expect their Chief Financial Officers to **advise and support** them in setting and rolling out their growth strategies from day one and not just once an investment decision is taken.

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**Growth strategy planned**

- **71%** Organic growth.
- **45%** External growth.
- **18%** Collaboration/JVs/Partnerships.
- **14%** Refocus on core activities.

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**CEOs and CFOs have to be able to build strong relationships. A CEO expects their CFO to help them execute the company’s strategic plan. Their discourse must be consistent, particularly with respect to investors. Any discrepancy could be harmful to the company.**

*Albin Jacquemont*
Altran

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**Creative profiles with leadership skills currently rank higher than digital and technical expertise.**

*20th CEO survey*
PwC
Focus on 2018 priorities – Process optimisation (3/6)

Simplification and standardisation are the two main actions chosen for process optimisation.

- **67%** of Chief Financial Officers want to reduce production times for financial information.
- **52%** of Chief Financial Officers want to improve their quality.
- **21%** of Chief Financial Officers are planning to robotise all or part of their financial processes.

Large Companies have completed their test phase and are looking to roll out robotisation on a much larger scale in order to industrialise their business models.

Process optimisation is not just a priority, it is a question of basic standards! It is about continuously questioning and improving our current processes. New technologies make this much easier and mean we can be much more efficient when it comes to tasks with a low added value.

Nathalie Pivet
EDF
Focus on 2018 priorities – Cash management (4/6)

50% of companies want to diversify their financing. Sources of financing differ according to company size.

30% of Chief Financial Officers want to use predictive analyses for cash management.

Main challenges for treasury departments

50% optimise Cash Management (pooling, automation of flows processing).

41% secure business flows/reinforce internal control.

41% Make Cash Management a part of performance monitoring.

Cash management is not properly entrenched within Eramet’s corporate culture yet. The Group is more manufacturing-oriented than finance-focused. Having said that, there have been a number of significant changes, with working capital taking on increasing importance, for example.

Thomas Devedjian
Eramet
Internal control is shifting towards the **massive use of data** to **facilitate and maximise the identification** of potential and proven **risks**. There are two benefits: it limits sample testing that is restricted in scope and optimises the ROI of control operations.

**Cyber-criminality** is a **concern** for many Chief Financial Officers but is rarely part of their scope.

79% of Chief Financial Officers are concerned about **fraud** risks.

76% of Chief Financial Officers are concerned about **cyber-criminality** risks.

Changes in the normative (mainly IFRS) and legislative framework are not seen as a risk but as a constraint.

**Anonymous**
Large Company

Technologies such as Big Data and Data analytics are a real asset for auditing and internal control. We are now able to identify recurring patterns that indicate a risk of fraud. Our investigations are more relevant than they were before using the conventional sample approach.
**Focus on 2018 priorities – Organisation & Human capital (6/6)**

**Shared Services Centers** (SSC) are already a reality for the majority of Large Companies and are increasingly becoming the standard for middle market companies, with supplier accounting generally the most affected.

For the first time this year, **new technology skills** are prioritised over financial and management expertise.

**70%**
of Large Companies have at least one SSC.

**13%**
of companies that have a SSC overseas are considering **inshoring to France**.

**Skills needed amongst finance teams**

- **53%** tools and new digital technologies.
- **49%** financial and management expertise.
- **42%** soft skills/managerial skills.

**Michelin has had a program to identify and manage talent for some time now.**

*It is led by the HR Department across all group levels (regions, functional divisions, corporate departments, etc.). The Finance Division is fully involved in the program. The main objective is to identify our future leaders and managers and to develop their skills so we can even out the age pyramid.*

**Marc Henry**
Michelin
The shifting role of “Business Partner”

Business Partner: a common role for Chief Financial Officers

55% of Chief Financial Officers primarily have a role of Business Partner within the company.

The four pillars of Business Partner

- **Human capital**: Invest in people with diverse skills and promote the importance of creativity and initiative.
- **Performance**: Link performance assessment to business results.
- **Responsibility**: Clearly define roles and responsibilities in order to focus on bringing value for the customer.
- **Technology**: Capitalise on data using the latest data analytics and technologies.

Source: PwC finance benchmark data

If all Chief Financial Officers agree that they need to engage more closely with the business, sales and production teams, the level of maturity in their role as “Business partner” differs depending on the size of the company. In Small Companies, SMEs and certain Middle Market Companies, Finance Departments endeavour to work closely with the businesses in order to understand their needs and adopt their language. This obviously requires standard and consistent data and processes.

In most Middle Market Companies and Large Companies, this alignment between the businesses and operations is already in place. The role of the Finance Departments is to **provide the businesses with real-time, clear and accessible data**. Under today’s new Chief Performance Officer, Finance Departments advise and assist the businesses, recommending concrete actions based on predictive or even prescriptive analyses. The role of Chief Financial Officer has become extremely agile which means that Finance Departments must transform their processes, their technological levers, their organisation and their human capital.
More than ever, Chief Financial Officers have to adapt and improve the way their departments operate in order to:

- Reduce time spent on activities with a low added value.
- Provide more relevant analyses.
- Improve communication with the business, sales and production teams and share common standards for a clearer understanding of the function.

These reasons are driving Chief Financial Officers to challenge current practices and initiate new transformation projects which are also an opportunity to identify, develop and encourage talent.

53% of Finance Departments are undergoing continuous transformation.

33% of which are transforming step by step.

Only 14% of Finance Departments are transforming out of necessity.
Current and upcoming transformation projects for the next 12 months

53% of Chief Financial Officers have an ongoing transformation project planned for 2018

Projects are linked to:

- Performance management 79%
- Process optimisation 66%
- Organisation and Human capital 56%

Automate processes
Optimise working capital

New performance indicators

Improve cash forecasts

Mergers & Acquisitions

- Digital dashboard
- Training
- Shared services centers
- Dematerialisation
- Improve budget processes
- Implement Business Intelligence tools
- Risk mapping
- Changing business models
- Changing business models
**Levers of digital transformation**

### Existing projects

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<tr>
<th>Topic</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Dematerialisation (P2P, O2C, R2R)</td>
<td>69%</td>
<td>70%</td>
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<tr>
<td>Dashboard &amp; Visualisation</td>
<td>28%</td>
<td>50%</td>
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<tr>
<td>Big Data Analytics*</td>
<td>24%</td>
<td>26%</td>
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<tr>
<td>Robotisation</td>
<td>2%</td>
<td>9%</td>
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### Projects in the next 3 years

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<thead>
<tr>
<th>Topic</th>
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<td>Dematerialisation (R2R)</td>
<td>30%</td>
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<tr>
<td>Robotisation</td>
<td>21%</td>
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* Predictive and/or prescriptive analysis

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**Giulio Gerardo**
Nestlé

We are beginning to work with predictive analytics tools that can act as an early warning system for potential difficulties and recommend alternative ways to meet our goals, much like a Waze traffic and navigation app does.

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**Alain le Duc**
RATP

How is digital different from current information systems except that it enables us to envisage new ways of using information? For me, the real difference is more in the new ways we can create and what we do with it. Historical information systems were able to store the data, but now we know how to exploit it. New technologies are really disruptive in that they allow us to generate immature data and we are only now beginning to understand how to use it.
Although, the cost of the Finance Function is not really an indicator monitored by Chief Financial Officers, it is used as a reference for internal and external benchmarking.

"I think the Finance Function should set the example for other departments [...]."

Guillaume Texier, Saint-Gobain

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**Cost of Finance Function by sector***

- **Financial services**: 1.16% (Top quartile), 1.58% (Average)
- **Media, Entertainment, & Communications**: 0.98% (Top quartile), 1.36% (Average)
- **Independent profession**: 0.71% (Top quartile), 1.23% (Average)
- **Industry**: 0.68% (Top quartile), 1.15% (Average)
- **Consumer**: 0.79% (Top quartile), 1.13% (Average)
- **Technology**: 0.80% (Top quartile), 1.12% (Average)
- **Power & Utilities**: 0.63% (Top quartile), 0.81% (Average)
- **Health**: 0.42% (Top quartile), 0.62% (Average)
- **Transport & Logistics**: 0.46% (Top quartile), 0.60% (Average)
- **Retail**: 0.22% (Top quartile), 0.34% (Average)

*Source: PwC finance benchmark data

* Large French and international companies. Salary costs only.
Contacts
### Finance Departments interviewed

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<th>Company</th>
<th>Person interviewed</th>
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