

A D A P T

Market Trend Report

How can Australian CFOs Enable Modernisation and Lead Business Change in 2023



Written by



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Executive Summary

The role of the Chief Financial Officer (CFO) is undergoing significant transformation, where leading CFOs have shifted from keeping records to advising on strategic decisions.

Based on financial performance data, these CFOs use evidence to advise on strategies that will drive the business forward.

In realising these changes, CFOs must develop a new way to measure value to capture longer-term performance while also addressing resilience imperatives in the near term.

CFOs at large Australian organisations can build their advisory credentials by:

- 01. Shifting** to measuring business value and modelling future profitability.
- 02. Using** data and insights to tell a compelling story and influence business decisions.
- 03. Increasing** engagement with technology and human resources teams.

In advising on these changes, CFOs can partner with the CIO, CDO, Data Leader and CHRO.

From a broader change management perspective, this report is published in the context of ADAPT's Exponential Value Roadmap (EVR).

The outcomes available from adopting the EVR are detailed in *Introducing the ADAPT Exponential Value Roadmap*.

These outcomes include becoming more modernised and connected across the organisation, where doing so will help to unlock exponential value.

Market Trend:

Outdated perceptions, talent and alignment issues lead to misperceptions about the CFO's role in modernisation



To become more modernised, business, finance and technology executives must proactively coordinate on that journey.

The role of the CFO is pivotal.

Leading CFOs connect with the CIO, Data Leader and CHRO to set the right direction and resource allocations across the people and technology layers, remastering processes along the way.

It is crucial for the CFO to articulate baselines and modelled future scenarios when making these choices.

Execution Barriers for CFOs and CIOs

	CFOs 	CIOs 
1 ▶	Competing business priorities	Competing business priorities
2	Talent shortages	Legacy technologies and technical debt
3	Legacy technologies and technical debt	Talent shortages
4	Outdated mindsets and processes	Outdated mindsets and processes
5	Insufficient budget for transformation	Insufficient budget for transformation

Source: ADAPT CFO Edge and CIO Edge Surveys in Nov 2022 and Feb 2023. Sample Size: 194 Australian CFOs and CIOs

But Australian organisations are a long way from enabling these changes, due to the issues depicted above. The challenges manifest in five specific ways:

01. Ineffective engagement between IT and finance across the value journey

As described in an *ADAPT Analyst Market Briefing*, published Apr 2023 and depicted below, three-quarters of CFOs are involved in IT decisions in one form or another.

But as revealed in an *ADAPT Persona Mapping* report, published Jan 2023, only one in every three of those CFOs are engaged throughout the entire journey from technology trigger to value outcome.

Ineffective engagement between CFOs and CIOs increases the overall cost of technology adoption and makes it harder to realise the benefits to people.

02. Outdated perceptions of the CFOs role

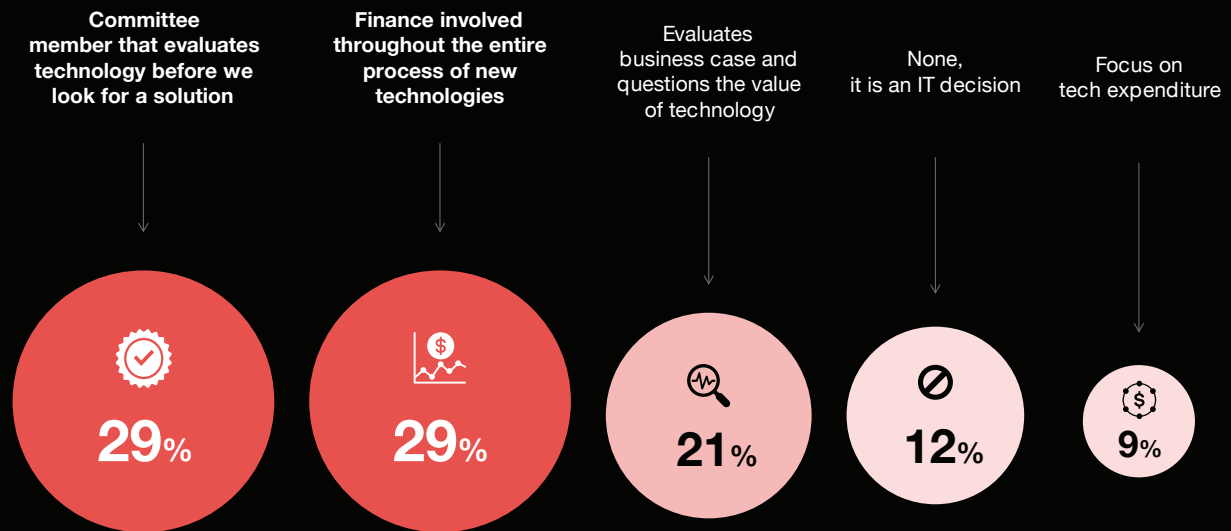
Ineffective engagement leads to the perception that finance is a stage gate to be endured.

In organisations where this exists, finance tends to focus more on cost reductions and less on the outcomes of properly funded change.

While excellence in financials of change remain important, CFOs need to build their advisory credentials to have greater influence in organisational change decisions.

“ Ways of doing business are moving so quickly that CIOs perceive that the CFO is misaligned. At some point you need to industrialise – you do not need a business case for everything.”
– Business leader in specialised services

CFO Roles in Evaluating Tech Projects



Source: ADAPT CFO Edge Survey in Nov 2022. Sample Size: 56 Australian CFOs

03. Difficulties accessing the reliable insights needed to meet external obligations

The *ADAPT Persona Mapping report* mentioned above reveals significant issues in accessing reliable insights.

Only 31% of CFOs have access to real-time business performance insights and 31% cite issues in the reliability of those insights.

In essence, CFOs are saying that the organisation's data fabric is ineffective, unreliable, and riddled with risk. These trends mean that just 53% feel well prepared to model and mitigate future operational and market-based risks.

04. Skills and data literacy issues are making the change effort harder

An *ADAPT Persona Mapping* report, published Jan 2023, reveals that 80% of CFOs rank skills shortages as their number three execution barrier. This is also the number three execution barrier for CIOs and CHROs.

Although financial processes are, on average, the most digitised across Australian organisations, there remains significant opportunity to connect these workflows into the operations of adjacent departments.

Furthermore, the data literacy gap is preventing people from understanding and accepting the role of data in enabling them to execute on their role. With greater data literacy, digital operations can be better connected to decision making insights.

05. Challenges capturing value require new ways of measuring outcomes

Capturing value across all areas of the organisation remains a significant challenge. As depicted below, 26% of organisations are effectively capturing value from operations, 24% from customers and just 13% from ecosystems.

As funding for change continues to tighten, CFOs need to shift from return on investment (ROI) calculations towards clearer business value measurement.

A CFO in the education sector observed:

“ Inconsistent data comes from data hygiene and data ownership problems. We need to reduce our reliance on spreadsheets if we are to realise the advantages from data.”

In essence, CFOs feel far more prepared to deliver upon traditional responsibilities such as financial planning, regulatory compliance, and records keeping.

To become a strategic advisor, the CFO needs to champion the data, digital and people change imperatives within finance and across the organisation.

Focusing financial experts on the meaning and impact of data—in place of wrangling the records—can help the organisation focus on the insights and the outcomes that matter.

So, what is on offer from counteracting these trends? Read on to explore the opportunities that can result with a focus on outcomes rather than costs.



Market Opportunity:

Using reliable insights can help the CFO to grow as a strategic advisor

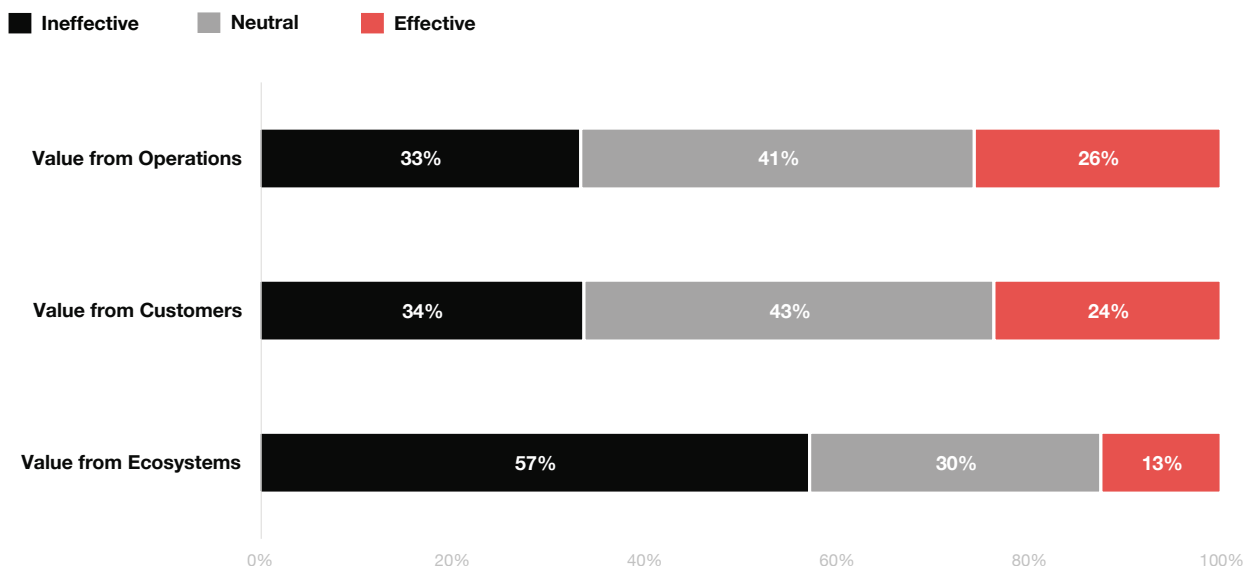
Leading CFOs use insights to predict and advise on the strategies required to drive profitability. Investing at the change program level—across experience, skills, data and tech—can help to realise this opportunity.

In this way, CFOs will gain clearer insights into present operating risks and model how to deploy the organisation's financial firepower effectively.

"CFOs are diligent about where the spend goes, and can play an active role in prioritising initiatives. The struggle is getting the right capabilities to drive these programmes."

- a CFO in specialised services

How Effectively Do Australian Organisations Capture Value?



Source: ADAPT CFO Edge, CIO Edge and Digital Edge Surveys Nov 2022, Feb 2023 and Jun 2023. Sample Size: 308 Australian Executives

Streamlining insights provision allows CFOs to assess strategic business value

Leading CFOs measure both the intangibles and the hard financials. These are the leading and lagging indicators of business performance, where both are essential to assessing and driving organisational impact.

The opportunities are described in greater detail in an *ADAPT Best Practices* report, published Jun 2021.

The value for CFOs comes from encouraging a bias towards evidence, collaboration and action. That value translates into performance realised in the operational, customer and ecosystem areas of an organisation.

When CFOs are leading these business changes, opportunities include:

- **Translating** the successes of digital transformation in finance into the opportunities from and imperatives in pursuing digital transformation more broadly.
- **Articulating** the business opportunities available from treating the data agenda as a commercial imperative for all stakeholders.
- **Connecting** the value outcomes that come from operational industrialisation to the enhanced capacity to serve customers and ecosystem partners.

In other words, the opportunity for CFOs is depicted above. By championing these changes, the CFO can enable the organisation to realise value in a responsible way.

Enhancing the finance function allows individuals to connect their role with purpose

When the finance function is augmented with the right tools, individuals are more able to execute upon their role effectively.

There is no shortage of work; so, tech can be the enabler of the work that is less inspiring. This approach can help individuals to feel connected with the purpose of the organisation and to align that purpose with their own aspirations.



Connecting role with purpose allows individuals to experiment with new metrics that have greater predictive power for future performance.

Some of the opportunities that result from the CFO enabling modernisation include:

- **Fewer operational frictions and process blockers** getting in the way of individuals acting on customer and market insights.
- **Greater capacity for colleague connection.** These connections can enable colleagues to experiment on new ways to create value without creating new frictions downstream from finance.
- **Quicker access to expertise** – internal and external – to the organisation when ideating, implementing and industrialising these changes.

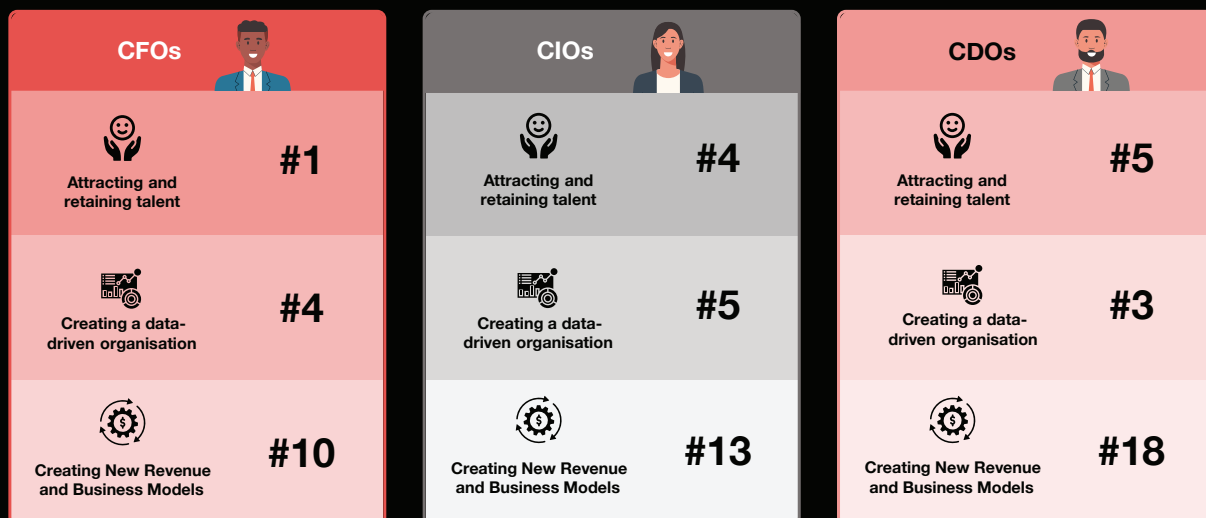
A digitally savvy CFO can proactively assess risks and model new strategies

Disruption never sleeps. A digitally savvy CFO sees technology disruption as a way to maintain a competitive advantage.

To stay ahead of market disruptions, these CFOs use reliable evidence, foresight, and internal partnerships.

But ADAPT's analysis, depicted below, reveals that creating new revenue and business models has very little prioritisation for CFOs, CIOs or CDOs in 2023.

Business Priorities: CFOs, CIOs and CDOs



Source: ADAPT CIO Edge, Digital Edge and CFO Edge Surveys in Feb 2023, May 2023 and Nov 2022. Sample Size: 332 Australian Executives

Leading CFOs stay ahead of relentless disruption and realise opportunities such as:

- **More effective deployment** of emerging technologies leading to faster value realisation. This includes deploying technologies in combinations for wider impact.
- **Improved capacity** to model the impact and likelihood of changes to externalities. These span financial market conditions, evolving regulations and competition.
- **Greater facility** in designing and exploring changes to operating and business models. That facility includes the ability to predict the value to people and the organisation.

These opportunities are expressed in greater detail in an *ADAPT Market Trends* report, published Jan 2023. By having an open mindset to the power of change, the CFO will be able to proactively assess and mitigate risks.

Recent policy changes and forthcoming regulations in the environmental, social and governance (ESG) area illustrates this opportunity most clearly. It is all about visibility.

Visibility into internal value chains, risks imported from the supply chain and predictions about the premiums that consumers are willing to pay for responsible services.

Greater visibility will allow CFOs to lead business change while also adhering to new, unfurling green tape.

In terms of leading those changes, CFOs can apply three strategies, described next.

ADAPT Recommendations:

Make the shift to measuring value with evidence and collaboration

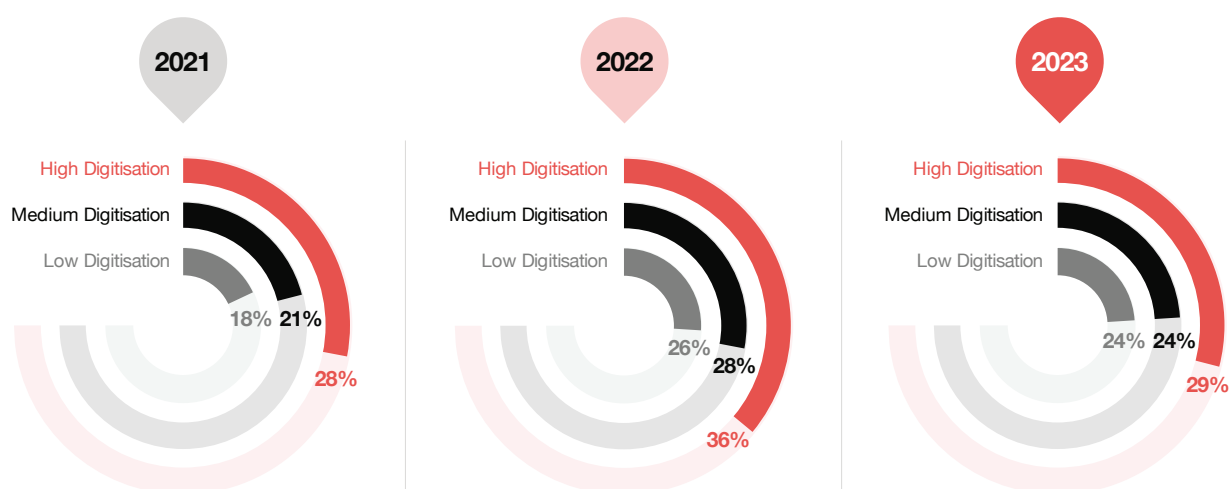
CFOs can become strategic business advisors if they are able to influence business decisions, improve profitability and value, and motivate finance staff towards building a strategic finance function.

Leading CFOs are applying three strategies, as described below.

1 Shift to measuring business value, and modelling future profitability

Sustaining business growth and value creation is incredibly challenging in 2023. Customer expectations upon organisations to deliver valuable services in a trusted way continue to rise, even as the costs to deliver these services are increasing.

Digitisation and Percentage of Revenue from Innovation: 2021 to 2023



Source: ADAPT CIO Edge and Digital Edge Surveys in 2021 to 2023. Sample Size: 561 Australian CIOs and CDOs

The value from doing so is depicted above. When organisations align the digital, product and funding agendas to drive innovation, then greater revenues from change are the result. Leading CFOs:

- **Measure and communicate** the investments that can secure longer-term success while also delivering on the trust and resilience imperatives in the nearer term.
- **Adopt strong collaboration and alignment** with the expectations of the C-suite, ensuring that business model and corporate strategy updates cascade effectively. This means mapping those strategy changes to people and financing changes.
- **Carry this approach** down the organisation with managers and individual contributors to stay aligned from vision, through to strategy and into execution.

As a CFO in the financial services sector put it:

CFOs are initiators. They understand the profit and loss benefits better. Finance needs to predict not just report. [To achieve this, CFOs] need to be more proactive in the modernisation conversation.

When shifting to new ways of measuring business value, CFOs can:

- **Focus on future value**

Future organisational value is primarily driven by the behaviours of an empowered, exploratory workforce. This allows the organisation to innovate and succeed in scaling new, digitally-enabled products into production.

By focusing on future value, CFOs can setup the new revenue streams and competitive defences that will protect future margins and fuel further innovation.

- **Inspect the behaviours that generate value from the workforce**

Inspecting the employee rituals that drive or detract from value creation can allow CFOs to consult with the CHRO on the strategies to scale best practices. At the input level, look at how quickly and able finance team members can access and adopt new skills, share learnings, and turn those skills into new ideas.

At the output level, investigate changes in employee satisfaction, turnover and ability to connect with experts outside of the finance dimension. Focus heavily on the ability to understand, interpret and act upon insights. Lean into providing new ways of controlling cloud costs, with visibility for when thresholds are likely to be breached.

- **Map the pathway from measuring ROI to measuring the value of service**

As described in an *ADAPT Expert Presentation*, published Dec 2022, CFOs need to move away from cost to serve and towards the value being generated. Take a gradual approach. Focus on more than just efficiencies.

Look at the premium placed on paying down technical, key person, and operating model risks. Review those premiums against the cover provided by automation, modernisation, upskilling, and talent retention. Explore how these premiums serve to unlock value generated within the organisation.

When conducting this mapping, work with the CIO and CHRO to calculate the true value for these investments.

As stated in an *ADAPT Case Study*, published in May 2023:

“ Outcomes can be revenue, balance sheet protection, or experience for different stakeholders in the system.”

This case study describes how the organisation took a new approach to capturing value.

In other words, CFOs need to look beyond balance sheet value. They should also examine the practical innovation driven by operating expenses and the intangibles of experience.

2 Using data and insights to influence decisions by becoming storytellers

Capturing data is not enough. Using insights in decisions requires the CFO to influence other executives with fact-based stories that will compel them to adopt an evidence-based approach.

When articulating the value of insights in these decisions, CFOs can:

- **Line up behind the investment priorities** of the CIO and Data Leader for improving and automating the insights engine—from capture, integration, and analysis—to decide. This aligned approach will optimise the funding case and access value faster.
- **Tell the story** of how finance is transforming key outcomes using insights and automation. This storytelling can demonstrate the importance of building a shared repository for automated and exploratory models of future value capture.
- **Use these insights** to value change in organisational spend rather than in micro funding cases. Instead of focusing on a transactional level, look at how aligned investment improves people’s experience and business advantage overall.

As ServiceNow Vice President and Managing Director
for A/NZ Eric Swift put it in the *ADAPT Expert Presentation*
referenced above:

Automate the redundant tasks to enable the person
to bring their unique value. The largest organisations
in the world are automating to unlock value and grow.

The CFO can play a leading role in mapping corporate
strategy to the funding required to adopt new technologies
and techniques in the right way. Examples include:

- **A clear mapping** between corporate and technology strategies. There will also be clarity regarding the funding case and prioritisation of IT outcomes.
- **Clarifying the rationale** for investment into the people aspects of these changes. This includes role evolution, learning and development, and new hiring strategies.
- **By having a single source** of reliable intelligence, the CFO can account for the value of these changes.

Accounting for the value of these changes will include
platform and cloud economics, driving faster time to market
and shared prioritisation for change across the executive table.

Practical automation is a part of this, where the automation agenda is prioritised alongside the digital, data and people change agendas. Reliable insights become the building blocks for change.

Together, these building blocks will see CFOs gain the capability to drive financial transformation in the areas depicted below.

CFO Focus for Financial Transformation in the Next 12 Months



Integrate data across all functions for accurate reporting

1



Digitise and streamline financial reporting processes

2



Increase the use of data visualisation dashboards

3



Upskill the finance team to build a strategic finance function

4



Improve agility by leveraging Cloud

5

Source: ADAPT CFO Edge Survey in Nov 2022. Sample Size: 58 Australian CFOs

As NSW Chief Data Scientist Dr Ian Oppermann described in his *ADAPT Expert Presentation* at CFO Edge:

“Data is a way of seeing the world. Every data set is incomplete. But [each] gives you a different perspective into your challenge.”

To apply the ADAPT CIAD Model to augment your data decision support framework refer to an *ADAPT Best Practices* report, published in Apr 2021.

3 Increase engagement between financial, technology and human resources teams

Realising value from investment involves increasing the quality and frequency of engagement between financial, technology and human resources teams.

This will include:

- **Evolving** the role of the CFO and their team across the procurement to value journey. Leading organisations embed financial principles into the decisioning processes at a leadership, management and individual level, connecting outcomes with expenses.
- **Examining** the costs of maintaining current operating models versus the value of experimenting with and scaling new business models. Use this examination to pursue operational industrialisation to free funds for business change.
- **Providing** advisory services to product leaders and technology teams through the scoping, procurement and success cycle. A key focus is to assess the longer term value against shorter term needs for starting capital and operating expenses.

These approaches should be measured according to the near term flags of operational resilience, connection of individual behaviours with value creation and the overall value of automation across business units.

Finance is a common denominator. It plays a critical role in identifying fewer, better platforms. That leads to productivity and enhanced experiences.

– a CFO in the education sector

In measuring these outcomes, partnership is essential.

Leading CFOs will:

- **Engage** with business unit and product leaders to map corporate strategy with sufficient clarity and modularity to estimate the business value of these changes.
- **Relate** that mapping to the CIO and CHRO's change agendas. By carrying that mapping through to the technological and people aspects of change, the CFO can advocate for and effectively fund changes that anticipate these business needs.
- **Partner** with the CDO and Data Leader to review rates of effective digitisation within finance and across the business, as they relate to insights generation and burden reduction. By examining these agendas cohesively, fewer direction and execution problems will emerge.

Across all of these areas, relate the funding and value case back to what it means to have a truly connected, modern workplace.

An *ADAPT Market Trends* report, published in Aug 2022, explores three areas to invest in to drive these improvements.

“Attitudes towards finance have shifted since the pandemic. The Board are more open to strategic advantage of technology. [It means] finance is increasingly getting involved in the value [of these] decisions.” – a CFO in financial services

Executive Actions

Market Trend:

Outdated perceptions, talent and alignment issues lead to misperceptions about the CFO's role in modernisation



Market Opportunity:

Using reliable insights can help the CFO to grow as a strategic advisor

Recommendations:

Make the shift to measuring value with evidence and collaboration



Organisations that actively strive to become highly modernised will increasingly leverage automation, become data-driven, and use novel technologies.

The role of the CFO will be pivotal in evaluating, supporting, and facilitating practical, effective transformation in partnership with their peers.

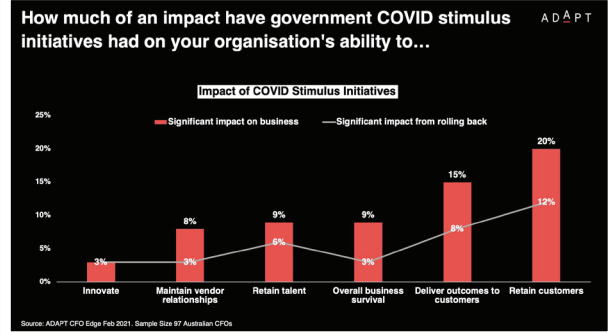
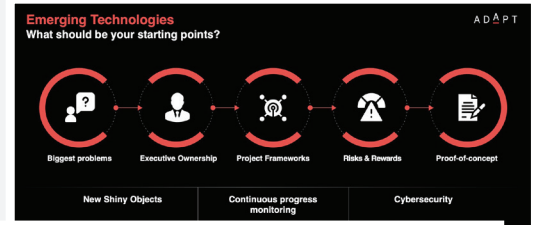
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you can help the organisation navigate
through uncertainty for advantage.

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