

THE GREAT CONNECTOR

The finance function's role in preparing small and midsize organizations for the next economy

The finance function plays a critical role in positioning any organization for success. This is especially true for small and midsize organizations that often are growing faster than their larger peers, and are more vulnerable to unforeseen disruptions: they must effectively manage cash flow, marshal resources to ensure quality and efficiency, assess and mitigate risk, and coordinate business continuity plans across the entire organization. And while finance usually operates in the background, often unseen by end customers, it plays a critical role in managing processes and investments (including digital technologies) that contribute to high-quality experiences for customers and employees.

SAP and Oxford Economics surveyed 2,000 executives, including 255 from the finance function, at small and midsize organizations around the world to understand their priorities, challenges, digital maturity, and strategies for improving customer and employee experiences. We also analyzed responses from top-performing firms—those with the strongest reported revenue growth and profits over the past three years—to identify best practices that other organizations might emulate.

Our research was conducted during the first months of the COVID-19 pandemic, so the survey data sheds light on how small and midsize organizations have been navigating the crisis and the finance function's role in responding to the challenges ahead. The study shows that organizations must integrate the finance function into other parts of the business to reach strategic goals, especially as hard economic times make finance's traditional focus on efficiency more important than ever.

Tying everything together

A well-run finance function is an agent of transformation. Beyond maintaining essential payroll, accounting, and auditing processes, finance managers can lend strategic insight to other parts of the business, collaborate with GRC teams to prepare for evolving regulation and emerging threats, and support organization-wide adoption of digital tools and processes. Each of these tasks requires deep integration with other functions—and this may be especially important for smaller organizations that lack special teams for transformation and strategy.

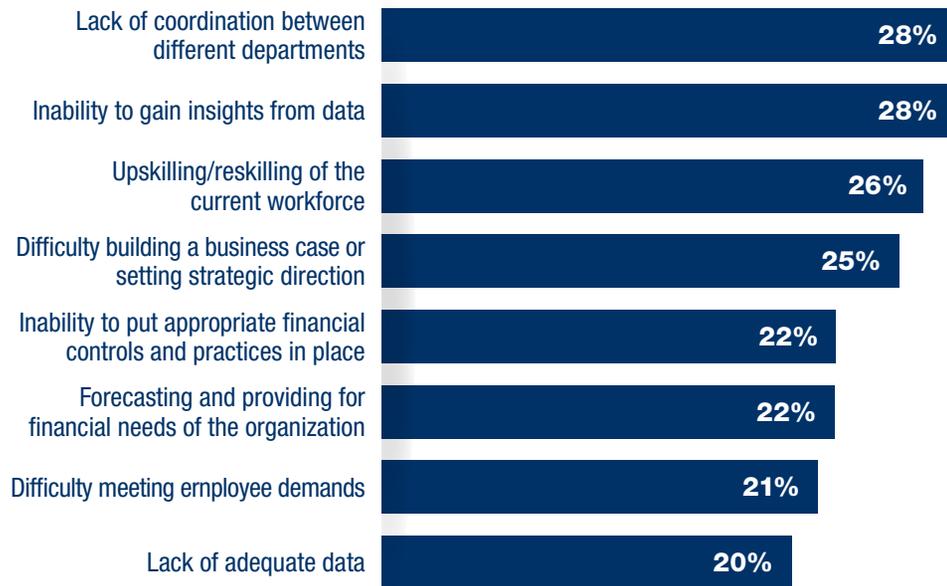
Yet even for small and midsize firms, avoiding silos is a challenge. In fact, finance executives surveyed see lack of coordination among departments as a top internal challenge to meeting strategic goals. Inability to get insights from data is another top barrier to meeting strategic goals, a problem that can further hinder the level of support it is able to offer other functions. (For more on the importance of data and technology, see page 5.)

This lack of integration must be addressed in order for finance executives to position their organizations for future growth and deal with the challenges on the horizon. When asked to identify their function's top challenges during growth periods, finance respondents cite risk management, monitoring spending, and following international GAAP accounting practices as areas where they must focus their attention. In a less-robust economy, efficiency also becomes paramount.

Fig. 1: Lack of coordination among departments is a top challenge for the finance function

Q: What are the current top internal challenges to meeting your organization's strategic priorities? Respondents could select all that apply.

Base = 255 finance respondents



The results of our overall, cross-functional survey show that **improving experiences for customers and employees are top areas of focus for small and midsize organizations, and finance professionals agree on this point.** (Top performers across functions are even more likely than the overall sample to say this is a key goal.) Finance has always played a critical role in shaping these experiences, from managing payroll and process efficiency for employees to billing and compliance in customer-facing products and services. But as the function leans into its role as the strategic link between other parts of the business, its responsibility for the efficiency and quality of experiences will become even more pronounced.

Fig. 2: A focus on fundamentals

Q: What are the finance function's challenges as the organization grows?

Respondents could select all that apply.

Base = 255 finance respondents



Accounting for experience

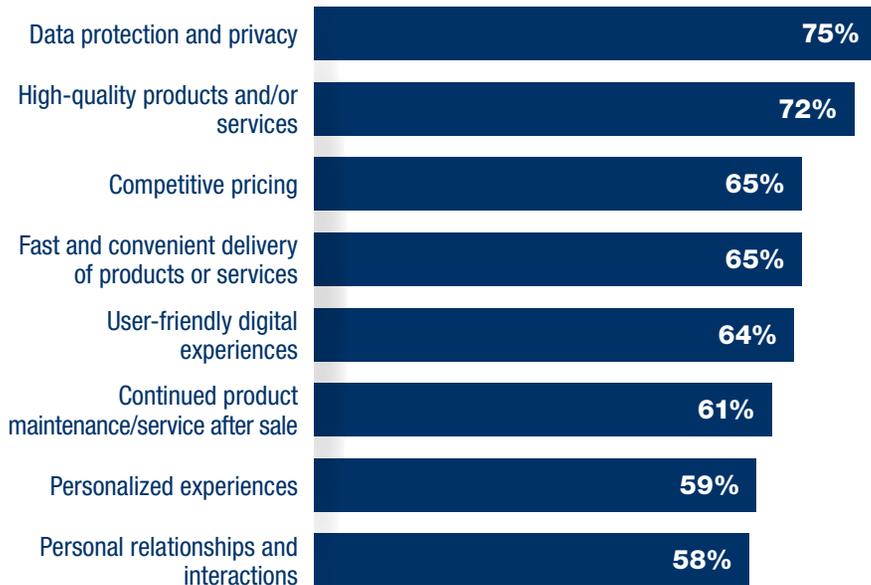
Providing high-quality customer and employee experiences requires the finance function to coordinate efforts across the organization. This is a broad mandate, and one many organizations struggle to meet.

To get customer experience right, organizations must efficiently manage supply chains, product development, and billing; manage platforms to support transactions and interact with consumers; and invest in innovation to develop high-quality products and services that evolve with the changing marketplace. Meanwhile, shaping employee experiences goes far beyond the bounds of HR, involving process efficiency, payroll and accounting, and technology investments aligned with workforce needs.

Fig. 3: The finance function emphasizes importance of data security

Q: How important are the following factors to providing a high-quality customer experience? “Moderately important” and “critical” responses combined

Base = 255 finance respondents



The finance executives in our survey are generally aligned with their peers across the business in their sense of what matters most to customers and employees. But priorities do vary in key areas: perhaps unsurprisingly, finance respondents are more focused on data protection and privacy for customers than they are on developing personalized experiences or delivering after-sales service, for example.

Meanwhile, finance leaders rank clarity in business strategy and competitive benefits and perks as the top factors contributing to employee experiences.

Fig. 4: Communication and compensation seen as most important to employee experiences

Q: How important are the following factors to providing a high-quality employee experience? “Moderately important” and “critical” responses combined

Base = 255 finance respondents



The finance function is a key player in delivering on data security, product development, overall strategy, and employee compensation. This may be especially true for smaller organizations where the finance function is largely or entirely responsible for tasks like compliance and payroll.

Delivering products and services to the market must be done as efficiently as possible, with meaningful insight into spending and ROI. **(Because the function also controls the purse strings and supervises billing, it is able to track the extent to which specific items lead to revenue and sales growth.)**

At many organizations, senior leadership does not yet recognize the important role finance plays in creating high-quality experiences. In fact, executives from across functions rank finance lowest on the list of functions influencing customer experience outcomes. They are somewhat more likely to acknowledge the finance function's role in shaping employee experiences.

Better insight into available data (e.g., about which investments pay off and at what rate, about which processes are least efficient) should help the function take a more visible leadership role in shaping experiences. But many finance executives at small and midsize organizations lack visibility to make informed decisions, with 59% citing a slight or major shortage of data for analytics-based decision-making and half noting shortages in data around customer or employee experiences. These gaps in insight must be addressed for the function to operate as effectively as possible and take on a more strategic role in the organization.

Fig. 5: Is the finance function undervalued?

Q: Which functions within your company have the most responsibility for delivering high-quality experiences for the following?

Base = 2,000 executives (across all business functions)



Finance goes digital

Small and midsize organizations have long faced the challenge of keeping pace with larger competitors and digital start-ups. The COVID-19 crisis has underscored the need for speed, as many smaller firms have had to quickly transform operations, products and services, and even business models to cope with the transition.

The finance function plays a key strategic role in this digital transformation, from early road-mapping efforts to investment priorities across the business, and they often spearhead the deployment of sophisticated Enterprise Resource Planning (ERP) software that integrates finance, HR, manufacturing, supply chain, services, procurement, and other services into a single system.

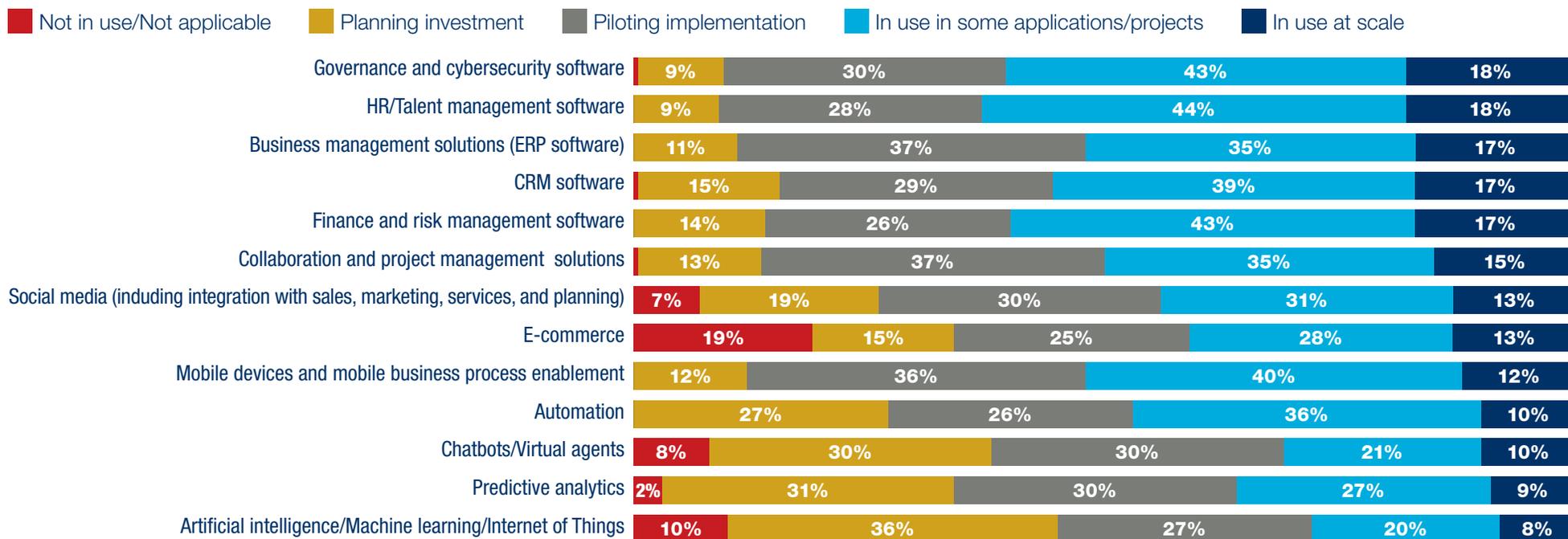
A majority of small and midsize organizations are already using advanced technologies in some capacity. However, less than one-fifth deploy these solutions at scale. Governance and cybersecurity solutions, HR software, ERP software, customer relationship (CRM) solutions, and risk management tools are all generally deployed by more than half of the firms surveyed.

The emphasis on security governance suggests their importance to broader digital transformation efforts. Customers often make decisions about where to spend their money based on data security and privacy, and investors need to be assured that the company has adequate controls over risk and governance. Both can be made simpler and more reliable by employing software that reduces errors and speeds compliance.

Fig. 6: Governance and cybersecurity, HR, and finance software is in highest use

Q: Which best describes your organization's use of the following technologies?

Base = 2,000 executives (across all business functions) **Note:** Numbers in figure might not add to 100% due to rounding



As digital transformation progresses, nearly half of respondents across functions expect digital technologies to increase efficiency by reducing error, risk, and cost; another 43% say they will improve productivity. And there can be negative consequences for organizations that do not provide workers with the technology needed to do their jobs. Data loss, high rates of errors, and the need to use manual techniques to overcome mistakes—none of which organizations have time for in the midst of a crisis—are reported as downsides of their employees not having adequate technological systems to support their daily activities.

The next step for the finance function? Further development of capabilities around automation, artificial intelligence, and predictive analytics. While these tools are in use at scale by less than 15% of finance-function respondents today, adoption is likely to pick up as they become more integrated into common software.

Top financial performers are more likely than others to be investing in automation and digital processes for most functions we asked about, but their digital investments in the finance function are particularly striking. This correlation suggests that finance, risk, and ERP systems are critical to bringing disparate teams together across the enterprise at successful organizations.

Fig. 7: Top performers lead the way in digital investments for finance

Q: To what extent has your organization invested in automation and digital processes for the following business functions? “Substantial investment” and “major investment” responses

Base = 135 top performers; 1,865 others (across all business functions)



Conclusion

The finance function plays a key role in helping organizations navigate a crisis, from managing cash flow and prioritizing investments to assessing the needs of employees and customers in real time.

How can the finance function respond to the evolving needs of small and midsize organizations?

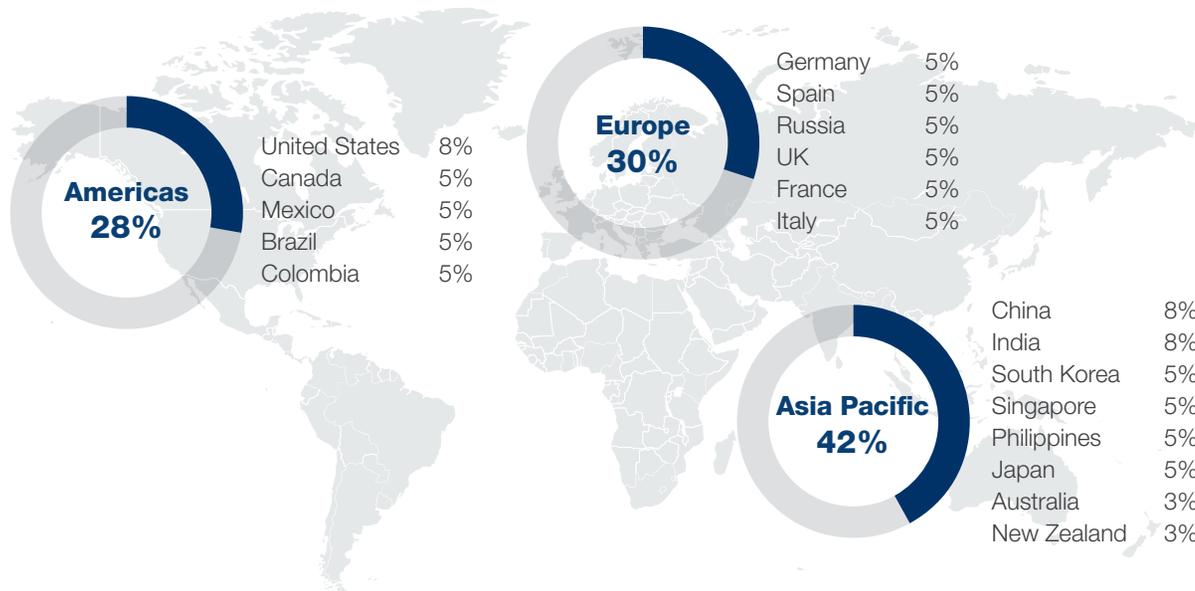
- **Focus on integration.** Coordinating with every other business function, from IT to customer service, is critical to responding to challenges quickly and effectively, and to driving organization-wide digital transformation.
- **Put people at the center.** Even in a numbers-driven function, human-centered design matters. Processes and investments should be considered for how they translate into experiences for customers and employees.
- **Amp up analytics.** Better tools and skills to support analytics-based decision-making can increase efficiency, support strategic decisions (e.g., which products to bring to market), and increase the function's influence in among the C-suite.

Methodology

Oxford Economics and SAP surveyed 2,000 senior executives from small and midsize organizations around the world and across industries about their goals and strategies, particularly as they relate to improving experiences for customers, employees, and business partners. The survey was administered via a mix of computer-assisted telephone interviewing and online links between February 27 and April 30, 2020.

Our survey covered several countries in the Americas, Europe, and Asia Pacific. Respondents represent a range of executive roles including operations (18%), management (17%), finance (13%), technology (11%), sales (10%), human resources (9%), marketing (8%), legal/risk (7%), and customer service (7%). Industries represented include 10% each from wholesale distribution, professional services, banking and financial services, consumer goods, retail, discrete manufacturing, high tech, and life sciences; 6% each from utilities and engineering, construction, and operations; and 4% each from public sector and logistics.

All organizations surveyed report under \$1 billion in revenue. In all countries except India, organizations have fewer than 1,000 employees; in India, some organizations have between 1,000 and 2,000 employees.



Message from our sponsor

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