Harvard Business Review
ANALYTIC SERVICES

PULSE SURVEY

Building a Finance Function That Drives Business Strategy and Growth

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Business expense management, though vital, has often created a lot of friction between finance and non-finance functions. One party chases expense receipts to get good visibility over company spending, while the other is oblivious to the importance of payment data and baffled by the urgency. Personally, I came into the finance world from the outside and could see this problem all too clearly. As a product leader who's driven enterprise software-as-a-service products throughout my career, I saw a chance to solve problems and improve things with technology in the finance industry. Now, years later, I've had countless conversations with CFOs and other finance professionals about how exactly they would like their team to function in the "new world" where all of their repetitive administrative tasks are automated, inter-team friction has been removed, and they have free time to strategize and drive forward business growth.

The current economic climate is rife with challenges, and it's never been more critical for businesses to keep track of two key areas. The first consists of cash flow, spending, and costs. The second includes all the strategic ways a company gets ahead of the competition (inevitably influenced by the first area). It's widely understood that technology and the powers of automation can free up finance professionals to focus more on these two key areas and remove the constant friction between finance and non-finance teams. The question is, is it happening?

In this Harvard Business Review Analytic Services report sponsored by Payhawk, the research points to the proven value of finance teams, with 76% of survey respondents agreeing that finance departments play an essential role in supporting their organization's business objectives. Sixty-four percent thought they could go further and said that finance departments should work more on "analyzing financial data to make recommendations on the organization's high-level business model and strategy." However, a problem revealed by the data shows a gap. When finance teams aren't supported by the proper automation, integrations, and tech providers, they can't improve business strategy.

A massive 67% of survey respondents say that finance departments are likely to spend most of their time chasing down receipts and expenses. Clearly, there is a disconnect, and finance teams need to remove their gloomy repetitive administrative burdens, head into the light, become business enablers for their non-finance colleagues, and support the organization's overall strategy.

Untying the finance team from its administrative burdens is a big, important step for those companies that want vital financial insight in order to become more strategic, competitive, and successful. Automation—and the technology to support it—is clearly a key differentiator for companies that are ready to use their finance professionals more strategically, and they must prioritize it in order to win.

Hristo Borisov
Cofounder and CEO
Payhawk

Building a Finance Function That Drives Business Strategy and Growth

Geopolitical uncertainty, supply chain challenges, and issues related to cash flow and revenue streams in recent years have increased the workloads and raised the profile of finance departments within organizations. "Business conditions have given finance teams a platform to be more central to the organization," says Brian Furness, a partner in the London office of PwC, which specializes in helping financial services companies in their digital transformation. "The focus on the finance department across the organization has really upped the level of respect for a lot of finance professionals that we work with."

As a result, many CFOs and finance departments have become increasingly involved in collaborating on high-level business strategy, according to a survey of 227 executives by Harvard Business Review Analytic Services. Three-quarters (76%) of survey respondents said finance departments play an important role in supporting their organization's business objectives today.

Business teams approve the idea of advancing the role of finance. In fact, survey respondents want finance departments to become *even more* collaborative and focus *even more* on strategic activities rather than on traditional nuts-and-bolts tasks such as chasing down receipts.

Yet the survey findings suggest progress still needs to be made when it comes to these more collaborative, strategic roles. Finance departments must gain a better understanding of the goals and challenges of other departments, share pertinent information with those departments faster, improve their

HIGHLIGHTS

89% of executives surveyed agree with the statement "Finance teams can **provide a unique and valuable perspective on the business challenges** faced by an organization."

76% said finance departments play an important role in **supporting their organization's business objectives** today.

64% said their finance department should work more on "**analyzing financial data to make recommendations on the organization's high-level business model and strategy**."

Due to rounding, some figures in this report may not add up to 100%.

digital tools, and sharpen and automate outdated processes to increase the *quality* of support they provide to their business colleagues.

"It is important for the finance department to understand the goals of other departments, but it is not easy," says Mathias Goetz, a senior project manager at ATU, Germany's top professional chain of auto retail stores and workshops. "What we've done is establish the finance department as a consultancy for other departments. Since everyone interacts with finance, finance can help other departments understand how their processes benefit the company as a whole."

Automation emerges as a key to unleashing the strategic business potential of finance. Companies whose finance departments have been able to automate many of their simple finance tasks are *much* more likely to say their finance department has become increasingly involved in business strategy over the past two years than are those whose finance tasks remain mostly manual.

"The more finance tasks you can automate, the more you can get control of your data," Furness says. "By using technology to address foundational finance activities, you have more time to actually do the planning and analysis and scenario work with the business. The better you are at those foundational finance activities, the more respect you will have from the business and the more [those involved in business strategy] will actually invite you in to talk about those other topics."

Still, there is work to be done besides increasing the use of automation to drive finance departments to think more strategically. They need to gain a better understanding of the goals and challenges of business units, become better communicators, and provide pertinent information to their business counterparts faster than they now do. Finance teams also must address outdated processes and update their digital tools and expense management systems, which now can frustrate many business users. In all these ways, finance departments can improve their standing within the organization to become a more strategic partner to other business teams and departments rather than be weighed down with day-to-day finance tasks.

Keen on Collaboration

The complex and ever-changing business landscape is causing organizations to turn to finance departments for solutions to many of the new challenges they face. The vast majority (89%) of survey respondents believe "finance teams can provide a unique and valuable perspective on the business challenges faced by an organization."

Consider Ukio, a Barcelona-based startup that offers living space rentals of one month or more, providing a turnkey premium experience in prime city locations in partnership with local property owners. Ukio's vertically integrated model is propelling the company's rapid growth. In 2022, Ukio has already reached more than 300 apartments across four markets, and it will close the year with an estimated 500 apartments and over 150 employees.

"When you are a fast-growing company with new challenges to solve, the finance department can help other departments understand the situation so they can make changes on a day-to-day basis," says Javier Palazuelos, financial controller for Ukio.

He believes this coordination could pay dividends when the startup looks to secure more funding. "If the financial information is not up to date and not available to everyone in the company who needs it, it prolongs the process of making business decisions, and it can delay a new business partner coming in," Palazuelos says. "What finance brings to the table is agility, so transactions can be executed faster and everything can run smoother. We understand the importance of delivering fast information but also delivering correct information."

As Palazuelos suggests, finance has two primary roles—providing correct numbers quickly to the rest of the organization so everyone has an accurate gauge of up-to-date operational performance and contributing to the strategic direction of the business through planning, forecasting, and scenario analysis. "The pressures on both ends of the spectrum have increased over the years," Furness says.

Finance departments, however, still focus most of their time on nuts-and-bolts activities today. When survey respondents were asked which tasks their finance department works on, traditional tasks rose to the top—managing cash flow (80%), financial forecasting (79%), day-to-day record-keeping (67%), and chasing down receipts/expenses (67%) were the four most common tasks. **FIGURE 1**

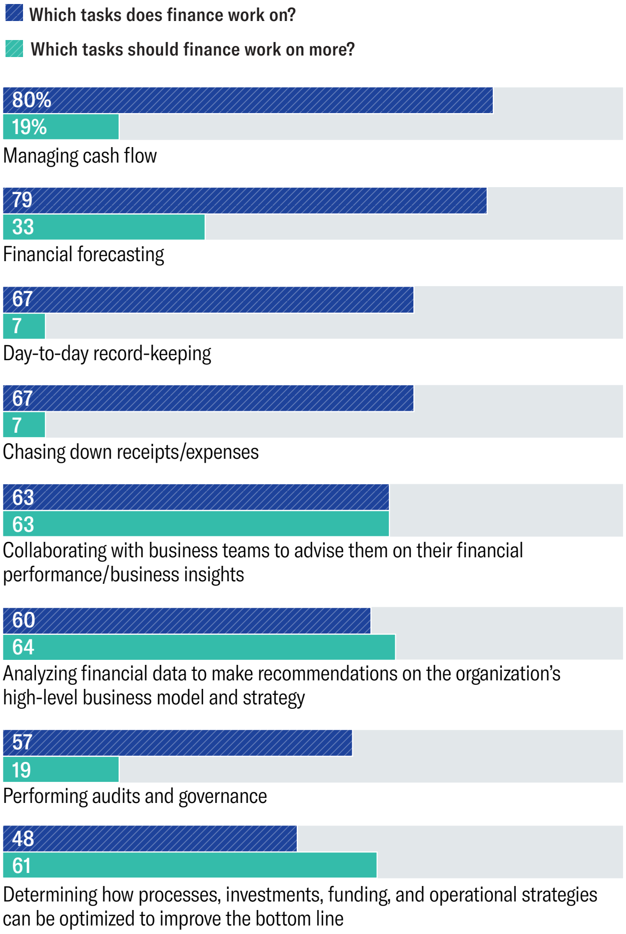
More strategic activities fall further down the list in the eyes of finance teams but not in those of everyone else in the

"The more finance tasks you can automate, the more you can get control of your data. By using technology to address foundational finance activities, you have more time to actually do the planning and analysis and scenario work with the business," says Brian Furness, a partner in the London office of PwC.

FIGURE 1

Beyond Day-to-Day Record-Keeping

The belief that finance should focus on strategic tasks is growing



Source: Harvard Business Review Analytic Services survey, May 2022

organization. For example, "analyzing financial data to make recommendations on the organization's high-level business model and strategy" was cited by 60% of respondents as what finance teams focus on, but 64% feel that's an area they should concentrate on even more. "Determining how processes, investments, funding, and operation strategies can be optimized to improve the bottom line" is something the finance department works on, 48% of respondents said—yet 61% said that's a task the finance team should work on more.

"Chasing down receipts, and making sure everyone is delivering the correct documentation, is part of the finance department's job," says Ukio's Palazuelos. "We need to be in compliance and deliver the correct information to the tax authorities. But it's imperative we spend more time on adding value to the organization and focus on delivering information that can drive better business decisions."

Demand for a More Strategic Approach

Taking on a more strategic role requires finance groups to develop stronger relationships with other departments, according to interviewees. It appears that when they do, a collaborative culture follows. This culture seems to be present, too, according to survey respondents. Consider that 63% of respondents said their finance team is either very or somewhat collaborative with the other business units. In contrast, 36% said the finance team is on the more siloed side of things. **FIGURE 2**

Nearly three-quarters (73%) of respondents said the CFO/head of finance has become increasingly involved in collaborating on high-level business strategy over the past two years. That attitude is filtering throughout the ranks. Two-thirds (65%) said the finance department as a whole has become increasingly involved in this type of collaboration, as well.

Three years ago, ATU got a new CFO whose first decree was to improve the department's efficiency and implement a service-center model. As Goetz, the senior project manager, explains, this direction allowed finance department personnel to devote more time to consulting and creating new processes that benefit other departments. Part of the CFO's charge, too, was spending more time collaborating with those departments.

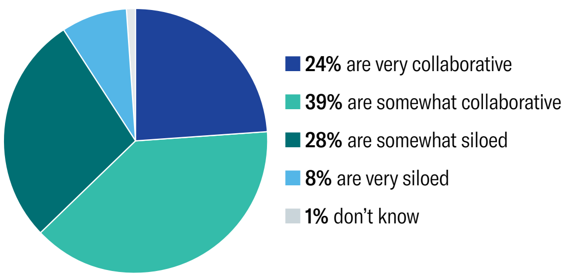
Such developments are positive, given that 83% of respondents agree that "having a finance department that does not contribute to business strategy is a business risk."

FIGURE 2

Getting Collaborative

Most finance departments collaborate with other functions

On a scale from working very independently/siloed to working very collaboratively with the other business units, where does your organization's finance department fall today? [SELECT ONE]



Source: Harvard Business Review Analytic Services survey, May 2022

83%

of respondents agree that “having a finance department that does not contribute to business strategy is a business risk.”

Organizations seem to want finance departments to be even more focused on strategic matters now as a core competency. When asked which tasks respondents think their finance department should work on more, business strategy-related options shot to the top of the list.

Sixty-three percent of respondents say that "collaborating with business teams to advise them on their financial performance/business insights" is a task their finance department should work on even more, making it the second most popular answer in the list of tasks.

Tellingly, few respondents said finance departments should work more on traditional activities that they now prioritize, like chasing down receipts (7%) and day-to-day record-keeping (7%). In fact, nearly three-quarters (73%) of respondents said, "The finance department could contribute more to business strategy if it weren't so bogged down in day-to-day finance tasks."

PwC's Furness says the imperative to be more strategic is expanding the role of finance departments while increasing the need for collaboration. "In the old days, finance teams only used finance data," says the consultant. "But you now have to collaborate across the organization to tap into their data sets and look for patterns and relationships in the different data."

Finance can provide healthy challenges to managers' strategy and initiatives at various levels in the organization. For example, by marshaling the proper data, CFOs and finance leaders can identify the factors that lead to shortfalls against expected outcomes in marketing campaigns. By using additional data sets, the finance department can also, say, show the R&D department that their projections for a new product are out of step with the rest of the industry.

The data that finance collects and maintains can add a huge amount of value for non-finance stakeholders when applied correctly. One example is measuring forecast versus actual results, a common task for financial planning and analysis (FP&A) functions. In addition, forecasting models are only as good as the data that feeds them or drives the assumptions. This is particularly relevant when it comes to unit economics and business plans that are fundamental to the fundraising process. Enterprise resource planning (ERP) systems contain valuable data, but financial models should be driven by data from across the whole business as well, and finance could become a central conduit for collection.

Finance teams are also collaborating with other departments in such areas as environmental, social, and governance policies and supply chains. Furness references an organization he is working with that is doing an integrated transformation project involving both the finance and the supply chain departments.

"A few years ago, you probably would have had two different transformation programs underway," he says. "But this company is keen to make sure the two functions are working well together, because they're so interconnected."

Improving the Quality of Collaboration

In order to provide even greater support to their business colleagues, however, finance teams have some clear problems to address. While there appears to be a good quantity of collaboration happening, there is some dissatisfaction with the quality of finance's collaboration today.

When asked which challenges business teams encounter in collaborating with finance, 44% of respondents selected "finance cannot easily/quickly provide up-to-date financial information that business teams need or request," with the same percentage noting that "finance lacks a thorough understanding of other departments' business goals and challenges." Close behind, 42% said that finance's approval processes are too slow. **FIGURE 3**

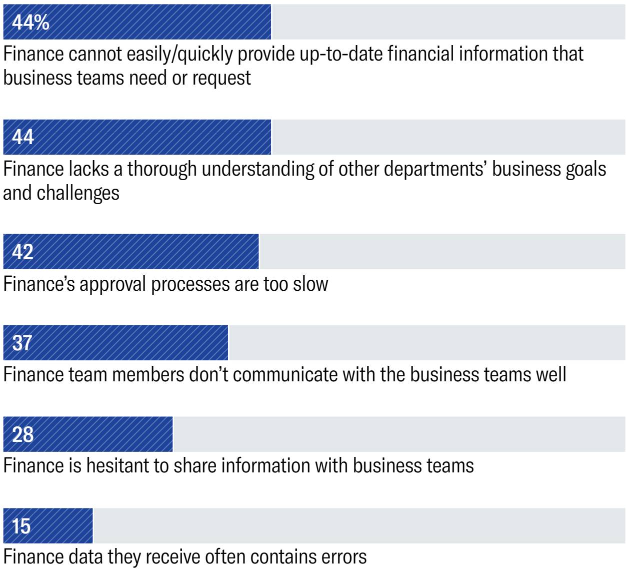
"Many finance departments struggle with different definitions of data, standardization, and reporting what the business needs," Furness says. "Partly, these issues come from

FIGURE 3

A Need for More Speed

Other departments want finance to understand them better and provide current information

What challenges do business teams at your organization encounter in collaborating with the finance department? [SELECT ALL THAT APPLY]



Source: Harvard Business Review Analytic Services survey, May 2022

> "Many finance departments struggle with different definitions of data, standardization, and reporting what the business needs. Partly, these issues come from a lack of understanding about what the business is going to do with that data," says Furness.

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Finance departments can also be impeded by conflicts between the accounting department and FP&A team on data quality and usability issues. Growing amounts of data have only widened the divide between these two finance functions. Accounting and FP&A often use different data formats to provide similar analyses, leading to delays and operational inefficiencies. Process changes that are made for compliance reasons rather than business enablement can exacerbate the issue.

Leading finance departments are addressing these issues not only with technology but also through organizational strategies. This effort can start with how the finance department is staffed. Rather than hiring individuals based solely on their accounting skills, companies are favoring finance personnel who have business skills.

Empathy and understanding can be increased if finance workers are trained to see how other departments look at matters that affect them both. For example, finance might view spending primarily as a matter of record-keeping and invoice processing, while procurement might focus on maintaining relationships with suppliers and negotiating the best contracts. By having finance workers see such matters from the other department's perspective, they can develop processes that are more likely to work for everyone, making colleagues more willing to collaborate with them.

This understanding can be developed, in part, by embedding finance professionals in specific operations, such as supply chains. This approach allows finance personnel to forge deeper connections with colleagues and develop insights about the various functions that they can share with the finance department. "Many good finance departments have a healthy trade of individuals around the organization, so they are keeping their business understanding up to date," Furness says. By developing this understanding, finance can be deterred from, say, imposing unrealistic limitations on procurement spending, which can create conflict instead of collaboration.

CFOs should become proselytizers for heightened collaboration, with a focus on how finance operations want to help other departments and the organization as a whole meet business goals. "The CFO needs to explain to other departments what the finance function is trying to achieve," Furness says.

This activism can make other departments open to collaboration because they see the benefits of working together. Finance can set up meetings with, say, colleagues from sales and product development, to help them determine how capital and resources can be deployed to speed up the launch of new products. Through working side by side rather than in silos, finance departments can position themselves as champions of success for the entire organization.

Automation Is a Key Differentiator

Automation is a key differentiator when it comes to overcoming collaboration barriers and enabling finance departments to increase their value to business teams and business strategy.

Automation, typically powered by artificial intelligence, can eliminate many manual tasks that now consume much of the average finance professional's day, such as core bookkeeping, invoicing and accounts receivable, and tax compliance.

Through automation technology, companies can track business transactions and expenses as they happen, providing visibility over project budgets and keeping those budgets on track. These transactions can be tied to company credit cards, with built-in limits and rules. The integration of different systems can improve record-keeping and eliminate the need for employees to pay with their own cash and wait for reimbursement, an inefficient process that can irritate the workforce.

Automation can also extract and reconcile data from invoices as well as automate manual data entry, eliminating errors and relieving finance professionals of mundane tasks. Automation can also do the calculations to determine tax obligations across international jurisdictions, another complicated chore that can be prone to errors when done manually.

It does appear that progress is being made at organizations when it comes to deploying technology to free finance teams to have the time to become more strategically active. When asked how much their finance teams' simple tasks have been automated to date, 38% said just a few or zero tasks have been automated, but 62% said about half or more have been automated (excluding anyone who chose "don't know").

The benefits of automation became clear in the divide between finance teams that have automated half or more of their tasks and those that have automated very little. Respondents from organizations with highly automated finance departments are less in the weeds; they're 14 percentage points less likely to say their finance team spends time chasing down receipts (61% vs. 75%). They are also 12 percentage points less likely to handle day-to-day record-keeping (63% vs. 75%).

"Chasing down the receipts, and making sure that everyone delivers their correct documentation, is also a part of the finance team's role," Palazuelos says. "However, that task doesn't really add value to the organization, so our goal is to automate as much of that kind of work as we can. By doing that, we can focus more on delivering the information people need that can drive better business decisions."

Respondents with highly automated finance departments are also less likely to say they face the top challenge respondents have in collaborating with finance: Their finance team cannot easily/quickly provide the financial information they need (41% vs. 53%). This finding seems to support the idea that the less intensive the manual process, the easier it is to process and share data.

When it comes to being strategic instead of stuck in the number-crunching box, highly automated finance teams are much more likely than the manual group to say their finance department as a whole has become increasingly involved in collaborating on high-level business strategy over the past two years (74% vs. 49%).

And when it comes to being collaborative, the highly automated group is much more likely to say its finance team is very collaborative with other departments (31% vs. 13%).

This pattern is certainly the case with ATU, the German chain of auto retail stores and workshops that tallies annual sales of about €1 billion. Founded in 1985, the company has roughly 10,000 employees and more than 550 branches in Germany and Austria.

Traditionally, when ATU branch managers needed parts that were not in stock, they would use their cash on hand to buy them from local suppliers. These purchases, in total, generated a massive amount of paperwork. Tons of paper invoices would travel throughout Germany every year. "We had more than 40 people at headquarters who initially were sorting the invoices and then doing the accounting," Goetz says.

The system invited errors. For example, managers would sometimes categorize a purchase as "other" rather than "spare parts." As a result, ATU was not able to recover 19% of the purchase amount from the country's tax office, as it is entitled to.

Three years ago, the new CFO prioritized better efficiency. He charged Goetz with creating a new department that would reduce cash spending and the onerous manual processes. Now managers simply take a picture of the receipt—thus digitizing it—and enter it into the automated finance system.

"Chasing down the receipts, and making sure that everyone delivers their correct documentation, is also a part of the finance team's role. However, that task doesn't really add value to the organization, so our goal is to automate as much of that kind of work as we can," says Javier Palazuelos, financial controller for Ukio.

The automated system ensures the manager puts in the right accounting code for a purchase. In the first year, this change resulted in ATU recouping from the tax office €2 million that would have otherwise been lost. In addition to these savings, automating the process has had a dramatic effect on the finance department's morale and productivity. Automation allowed finance personnel to view a dashboard that identified the cost savings they were producing.

"We have some employees, who had been working here over 20 years, who said this was the first time they could measure their work," Goetz says. "If they saw they had saved X amount one week, they wanted to save X amount plus one the next week. The efficiency could have given them more hours in the day to relax, but they wanted to use those additional hours to be productive, because they were seeing the difference they were making."

Improving Finance Processes

Overall, there's room for finance departments to improve their processes. Two-thirds (67%) of respondents believe "the finance department at my organization needs to put more effort into improving its outdated processes."

Ukio already has an emphasis on process improvement in place. "We try to enforce this philosophy within the department to go after new improvements every day," Palazuelos explains. "It might be a small improvement, such as a specific vendor or specific customer who needs information in a different way. We empower people to always work with this mindset and look out for the small things that we can improve. And little

> "Companies need to spend time to rethink and challenge their daily business frequently," says Mathias Goetz, a senior project manager at ATU.

by little, that clears time for us to spend on crucial strategic activities, like improving decision making."

Expense management processes seem to be one area ripe for improvement for many finance teams. Only 11% of respondents said business users (i.e., those outside of the finance department) are "very" satisfied with the expense systems their organization uses, while 42% said business users are "somewhat" satisfied. Over a quarter (28%) said business users are "very" or "somewhat" dissatisfied with these systems.

The consequences of poor expense management processes are significant. More than three-quarters (80%) of respondents believe that "if expense management processes aren't simple, people will avoid them and compliance will go down." Even more (90%) agreed with the statement "If expenses aren't easy to submit, it negatively impacts employee experience."

Confronting Digital Transformation

Despite the clear benefits of digital transformation, finance departments can rebel against it for a number of reasons. Finance departments, which are born out of a highly governed, rules-based tradition, have not historically been champions of innovation. Their fears of having their influence and very jobs challenged by AI can also cause digital foot-dragging. As a result, finance departments can sometimes favor using headcount for short-term fixes rather than fixing the problem at its source.

"Companies need to spend time to rethink and challenge their daily business frequently," Goetz says. "Companies should allow their employees to go to conventions if necessary to see state-of-the-art [digital transformation] solutions on the market."

Finance departments should realize that they don't need to fear digital transformation or confront it on their own. CFOs and finance leaders can engage with data scientists and developers to build an ERP system that meets the needs of the entire business. In this manner, finance can create the digital foundation to become the strategic advisors their organizations need them to be.

Conclusion

As the business landscape becomes ever faster, more complex, and more challenging, finance departments must gain a better understanding of the goals and challenges of business units, become better communicators, and provide pertinent information to their business counterparts faster than they now do. In other words, if finance teams aren't already working closely with business units in a strategic manner, it's only a matter of time before their organizations will require them to.

For that reason, finance teams should not overlook the power of automation, which can provide them with more bandwidth and headspace to dedicate to strategic thinking, as opposed to spending their days on basic accounting tasks. "Every minute we can take out of a manual process is a minute we can spend on something else that can make a difference to the business," Palazuelos says.

As those minutes add up, so can the impact that finance departments can make. As finance teams expand their role, they must also expand their capabilities to provide the services and expertise their organizations require of them.

"Because of the many challenges companies face, they want finance to collaborate across the organization and provide a holistic view of planning," Furness says. "It's quite a big skill set shift for finance teams to move from the numbers-crunching stuff to a strategic partner role. For finance departments to deliver what their organizations need, they must make sure they have the right technology, the right processes, the right people, and the right perspective."

METHODOLOGY AND PARTICIPANT PROFILE

A total of 227 respondents drawn from the HBR audience of readers (magazine/enewsletter readers, customers, HBR.org users) completed the survey that fielded in May 2022.

Size of Organization

22%
10,000 or more employees

30%
1,000 – 9,999 employees

13%
500 – 999 employees

36%
50 – 499 employees

0%
0 – 49 employees

Seniority

34%
Executive management/board members

44%
Senior management

11%
Middle management

11%
Other grades

Key Industry Sectors

18%
Manufacturing

15%
Technology

9%
Financial services

All other sectors less than 8% each.

Job Function

26%
General/executive management

15%
Sales/business development/customer service

All other functions less than 8% each.

Regions

41%
North America

21%
Europe

19%
Asia Pacific

11%
Latin America

7%
Middle East/Africa

Figures may not add up to 100% due to rounding.

Harvard Business Review

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