Quinlan: Henry David Thoreau once said, "It is not enough to be busy. . . the question is: what are we busy about?" Most finance functions today are incredibly busy and they are being asked to take on more and more tasks and responsibilities. Although as Henry David Thoreau noted, busy is not sufficient unless it is wedded to intent.

The Financial Executives Research Foundation, FERF, and Protiviti, the global business consulting and internal audit firm, recently published the results of their 2015 Finance Priorities Survey. The results confirm that finance functions are beyond busy.

The sheer number of priorities that Finance is addressing is at an all-time high when considering the four years that FERF and Protiviti have been conducting the study. Also, the number of finance skills and capabilities that the respondents see as higher priority compared to last year has risen dramatically.

The report also suggests that finance executives and professionals are clear on what they're trying to achieve through effective cash management, business intelligence and analysis, knowledge of changing tax and finance laws, and a renewed focus on "people" skills.

So what were the five key findings in the 2015 Finance Priorities Survey? They were as follows:

1. Cash remains king as does cash clarity: Finance functions are striving to gain greater visibility toward the "cash" horizon by strengthening strategic planning, sharpening business and competitive intelligence, fortifying risk management, and honing forecasting.

2. More and improved analysis is paramount: Finance functions place more importance than ever on strategic planning, risk management, executive dashboards, profitability analysis, and other strategic areas of financial analysis.

3. There's hunger for a more holistic approach: Rather than applying patchwork fixes to individual processes, finance functions want to manage and improve related processes in a comprehensive manner.

4. Getting the right talent in place is a formidable challenge: Complex regulatory compliance requirements, new accounting standards as well as a host of other issues
challenge finance functions to attract and retain the knowledgeable and experienced staff.

5. Soft skills have hard value: Finance functions are placing greater emphasis on cultivating stronger communication and relationship-building skills.

To learn more about the "rising tide" of finance challenges that surfaced from Protiviti’s 2015 Finance Priorities Survey our own Rebecca Surran met with Christopher Wright, a Managing Director at Protiviti. His observations provided some additional insights into the data produced by the survey. The survey, as I mentioned earlier, was conducted in association with the Financial Executives Research Foundation.

2. Mechanics of the Survey and Findings

SURRAN: Chris, I want to welcome you to the program.

WRIGHT: Thanks, Becky. It’s good to be here with you.

SURRAN: Chris, let's start at the beginning. The rising tide of finance challenges otherwise known as the 2015 Finance Priorities Survey, why did you undertake that research?

WRIGHT: Well, Becky, we partnered with the Financial Executives Research Foundation for our fourth annual CFO survey for a couple of reasons.

First is that we like to be part of the broad conversation about what’s impacting the finance community. Second, as we seek to help clients identify and solve their own problems, it provides great insight to us, and because it's the fourth annual survey, we have the ability to gather cumulative data. We’re not only seeing what's on the minds and thoughts of CFOs and finance executives now but we're also able to track the trends.

SURRAN: Let's talk about how the survey was conducted. What was the methodology you used?

WRIGHT: Becky, we did it online, almost exclusively with an identified list of people who had responded before and others, although we did take an opportunity to have some people who were at live events participate on paper. We were ultimately quite pleased that we had just under 400 respondents, either CFOs or other financial executives, participate in the survey. We think it's a really good sample and we're able to use that to develop strata for large and small companies.

SURRAN: I know the survey was broken into five categories. Can you talk about that?

WRIGHT: The five categories were process capabilities as they relate to transactions, process capabilities as they relate to financial analysis, emerging issues, technical
capabilities, and then organizational capabilities, which are different from technical capabilities.

We asked people to rate things on a scale of 1 to 10. Anything 6.0 or higher, we thought was a significant issue. Anything between 4.5 and 5.9 was moderate. Anything 4.4 and lower, we thought was of a low concern for the CFOs and the financial executives who responded.

**SURRAN:** Chris, can you talk about the key findings?

**WRIGHT:** Sure, Becky, there were five key findings, the first of which should surprise nobody in the finance community, which is that cash is still king. It continues to reign as the number one issue but not just the balances, really clarity around forecasting and availability, budgeting, the impact on the ability to pay taxes, repatriation of foreign currency, etc.

So cash as a finite area has been on our list forever but it grew in importance and the answers really lent themselves more toward the process of managing cash than liquidity itself as perhaps the economy has improved and companies are less concerned with liquidity than they are with planning.

Secondly, more and improved analysis, so not just producing the numbers but producing data in a way that it's meaningful to the organization, that the organization can see whether strategies have been achieved as opposed to just saying, "Well, we made our numbers so we must have achieved all of our strategies," whether or not risks are being managed.

Some of the data is financial. Some of it is financially derived but non-financial. There's a hunger we find on behalf of the CFOs for a more holistic approach, which is that they need to be in on the meetings on the front end, so they're not just reporting the results but they're in on the strategic discussions that drive what the company's trying to achieve and whether it's managed risk or strategy achieved. This way they're able to measure it and put processes in place to gather the data, to harness the data if they have to, to massage the data, to put it into that analysis prism, and then to be able to let the organization know in a more valued way for them personally, increasing their own value to the organization, how the company is doing, and what their role has been in the process, really influencing the outcome as much as reporting on it.

Getting the right talent in place was another area. A lot of the work around extra analysis, better data, and more information on cash flow that requires people with different skills and training.

So companies and CFOs in particular, especially at some of the larger companies, were quite concerned about having better trained personnel, and having the right kind of succession plan in place.
The final area related to talent is soft skills have hard value, having people who are trained to have leadership roles in the organization, not necessarily just to produce the data at their desktop that they’re expected to produce or are expected to have a system produce on their behalf.

So those were the five key findings from the survey, and they were consistent across organizations.

Surran: Thanks, Chris. We'll return to your commentary in a minute.


Quinlan: In order to better understand the results, let's review how the survey was conducted. More than 370 finance executives and professionals participated in the study.

Half of the participants were a CFO, VP Finance or a Corporate Controller and numerous industries were represented with the largest coming from manufacturing at 20%, and financial services at 12%.

More than half of the respondents were CPAs and 34% were from companies with over $1 billion in sales. 89% of the respondents were from U.S. based companies.

As Christopher Wright pointed out there were five categories in the survey:

1. Process capabilities related to financial transactions,
2. Process capabilities related to financial analysis,
3. Emerging issues,
4. Technical capabilities, and
5. Organizational capabilities.

Under each of the five categories, respondents were asked to rate, on a scale of one to ten, the level or priority for them and their organizations to improve in different areas and capabilities. A "10" rating indicates the issue is a high priority while a "1" indicates a low priority.

Now let's return to Becky Surran and Chris Wright to learn more about the key findings for the survey's first category, process capabilities for financial transactions.
**Surran:** Chris, I'd like to review the key findings. Let's start with process capabilities for financial transactions. What were the key findings in that part of your research?

**Wright:** Within the process capability, Becky, the major issue was working capital management. We go back to cash being king but also to the other elements of working capital, accounts payable, accounts receivable, as well as cash, of course.

This is to allow the CFOs and the finance executives to be in a better position, again, of tying back into that area of more analysis and more information, of being able to help the company that they serve manage through volatility. So working capital management was one of the major findings in process capabilities, as well as something which could be surprising, which is the basic blocking and tackling of the year-end financial close, of reconciliations because that is the area that could lag or lapse as companies focus on more things.

They need to also have people focused on doing their day job and doing more, especially since many companies that have found themselves in the cross hairs of a restatement have often found that at the root of it was a failure to do the blocking and tackling around the financial close, the reconciliations, and other analysis that allows them to produce the right financial data.

**Surran:** That is a very interesting observation. Any other commentary you can provide on the survey findings related to financial transactions?

**Wright:** So, yes, one of the keys is that, and really this was across the board, all of those areas, and especially cash, but also the processes increased in priority.

So while they were on list and they were on the list last year, everything that perhaps was a 6.2 might be a 7.1, which suggests that there is either more concern, more focus or perhaps more anxiety, depending on where the company is in their process and in their corporate life.

That area really of staying focused on the fundamentals came through at a higher number than you would have thought because getting back to the basics, you would think that that would be part of people's comfort zone. However, in fact, there's some anxiety, or at least some focus, on making sure that while they address all these other issues and expand their role in the organization, they're also doing their day jobs and getting the books done correctly and on time.

**Surran:** Chris, I know the survey respondents were from all size companies, but a lot of our viewers work for large companies. What about from the perspective of these large corporate entities, were the results any different there?

**Wright:** So, for large companies, Becky, the lists were roughly the same, although there was a higher priority we found placed on pricing with the large companies.
The CFOs and financial executives of the large entities are concerned about their role in making sure costs are analyzed so pricing can be analyzed, and we see that as a derivative of an improved economy where pricing has been under pressure for so long.

Companies, especially those providing better analysis and not just reporting on their results, are able to try to influence the results by giving perhaps the sales force or other management executives more information to get better pricing and therefore which will therefore result in improved financial results.

SURRAN: In addition to the higher priority placed on pricing, do you have any additional commentary from the large company perspective?

WRIGHT: You know, again, not surprising, but the transaction processes were a high priority, and what we see there is the mature view of the CFOs that they shouldn't forsake what is the basic blocking and tackling of their jobs while they seek to take on greater importance in their organization.

4. Survey Analysis: Process Capabilities

SURRAN: All right, let's move to the next category, the process capabilities relating to financial analysis. What were the key findings there?

WRIGHT: Again, Becky, all of the scores were higher, and in fact this was the area of the survey where the scores were most dramatically higher, averaging 7.2, 7.1. Everything that was over the sixes in the past had moved up nearly a full point.

Strategic planning was particularly high in this area, and that is an area that grew in importance and perhaps wasn't even much of a priority in the past.

We're seeing that CFOs and the financial executives are interested since they're being asked to report on whether or not the strategies have been met, and they're interested in being part of the strategic planning on the front end as well. That was a bit more of either a grave concern or a higher priority, depending on their state of mind in the results for that area.

SURRAN: So the scores were dramatically higher and there was increased priority on strategic planning. Any additional commentary on this category?

WRIGHT: Yes, and not surprising, but a very substantial view on profitability emerged from this area as well, especially on the analysis kind of profitability, so not just what were sales minus cost, but what were sales and cost per product lines or SKUs or divisions, really customer-level profitability or a product line level of profitability. Very consistent with their interest in seeing more analysis than post mortem on results.
SURRAN: Great. Again let’s discuss this category as it relates to large companies. What can you tell us about the perspectives of the CFOs, financial executives, and finance functions in large companies?

WRIGHT: In this area, large companies were very focused on profitability, again perhaps consistent with the view that pricing was very important in the other section of the report.

As the economy has improved and larger companies made deals, perhaps in a suppressed pricing environment, there was really a focus on customer profitability as well as on data analysis.

So, here, the larger companies, in particular, the notion of big data, you hear a lot about it, and in a lot of reporting it's really coming to roost and becoming real for the CFOs and finance executives of a large company, which makes sense.

They're larger, they're probably more diverse and they have more divisions, more systems feeding data, and so their concern of having one good source of the truth at the center of big data is driving a lot of their thoughts in this area.

5. Emerging Issues

SURRAN: A lot of great insight. Let’s move on to the third category. Let's talk about emerging issues. What were some of the key findings for this category?

WRIGHT: Becky, as you know, because it's the fourth annual, we're able to customize this on an annual basis, and so what we've found in this year's survey, consistent with the prior year, U.S. healthcare rules and regulations were part of it, less so, though, and sustainability seemed to be a bigger part of it.

The perhaps increasing comfort or decreasing discomfort with the Affordable Care Act is the fact that people are now more familiar with it and they’re seeing it in operation. They may also have transferred that concern from there to payroll and some of the transaction processing they’re concerned with because that’s where the risk shifted, as the Affordable Care Act came into operation, but sustainability, really, took a jump up in the survey's results, and it was particularly of interest to large companies.

SURRAN: Any additional commentary with regards to the emerging issues category?

WRIGHT: As I said earlier, Becky, the subtext of the analysis was that the interest in the Affordable Care Act, the concern over it seems to have decreased rather substantially. Then again, we think that's more a function of familiarity than it is necessarily with people being pleased or displeased with it. They just know what it is now and the finance executives are able to deal with it, either from a cost perspective or from a granular perspective in terms of getting the transactions processed.
SURRAN: How about from the perspective of large companies? Anything different from their perspective that our viewers should take note of?

WRIGHT: So for large companies, again, the larger the company, they tend to be higher capitalization, perhaps get more shareholder interests. The sustainability for them was a bigger deal, and particularly in the finance function's role in reporting on sustainability.

Sustainability is not necessarily financially driven, but it's metric driven. So there's an expectation that in that big data environment where there's one source of the truth driving financial data, but perhaps other derivative data, in this case, sustainability, the finance functions are seeing themselves being expected to produce a lot of the information that will support sustainability reporting.

The other issue for large companies is the aging workforce. There they might tend to have large finance functions, people who perhaps delayed retirement because of issues with the market who are now in a better position to retire. They're very concerned, not so much about the age, because that comes with good experience. The subtext of that was they're concerned about succession planning so that the organization can move forward into the next decade or two and have the right pipeline of people with the right skills coming through the organization to serve and lead.

They also, the large companies in particular and especially the public companies, have concerns about the new Revenue Recognition Standard.

And so there's a concern, and it was a significant concern on the part of the large companies, in particular, especially since they're more likely to be public, or perhaps have more complex revenue recognition concerns around multiple deliverables, different product lines, different divisions. Their concern was particularly high around their readiness and the activities they'd have to undertake to be ready for the new Rev Rec standard.

SURRAN: Chris, any additional thoughts or commentary on the emerging issues from the large company perspective?

WRIGHT: The specific line item question around the risks of globalization, not surprisingly, were a major factor for the larger companies, but that makes sense. They're more likely to be global in scope or moving into a global environment where there are shifting either economic winds or regulatory frameworks that would change what they have to do and how they have to report on it.

SURRAN: Thanks, Chris. We'll return to your commentary in a minute.
6. Technical Capabilities

QUINLAN: As the number and complexity of business regulations, accounting standards, and tax rules increase, finance executives and professionals continue to try to keep their technical proficiency in these areas current and sufficient.

Recent PCAOB initiatives, particularly the board's inspection reports of audits of internal control over financial reporting, may be helping to shape these priorities. While the PCAOB regulates external auditors, its findings are having a significant impact on finance functions, processes, and activities.

New accounting standards from the FASB including the recent one on revenue recognition, as well as major projects on leases and financial instruments, are creating a challenge for financial functions to find the talent with the technical and analytical expertise to address the accounting for these standards effectively.

With finance functions taking on more, having the knowledge to deal with changing tax and finance laws and accounting standards is a major challenge.

As a result, identifying the right personnel who possess the requisite technical knowledge and skills is proving to be an ongoing issue.

Other areas that have the potential to emerge as priorities in the coming years include international taxes and related inversion rules. Let's return to Becky Surran and Chris Wright to learn more about the survey's findings related to technical capabilities.

SURRAN: Chris, let's move on to the fourth category, technical capabilities. What were the key findings in that category?

WRIGHT: Key findings there, Becky, were taxes, regulations, and all the reporting that's required for that. So in-country taxes were the issue for the domestic companies, then in-country and international tax rules and especially transfer pricing for some of the multi-nationals, and then the regulatory reporting derived from that or around that.

Then for financial services entities, the implications of the Dodd-Frank Act and other areas, so regulatory complexity, whether from an internal revenue code or its in-country equivalent or from a regulator from their industry drove most of the concern and most of the elevated scores in that area.

SURRAN: Any additional commentary or concerns that you want to talk about related to the technical capabilities category that came out of the survey?
WRIGHT: Well, the PCAOB is not a regulator of companies, per se, but it is their indirect regulator, whether they're public or private. The PCAOB regulates their external auditors who, in turn, effectively regulate them and it affects their behavior.

We found that some of the activity of the PCAOB around things they've seen, that they've liked and not liked in audit workpaper files, has driven a lot of work on behalf of the external auditors which requires a lot of work on behalf of the finance professionals.

In particular, in fact, the current revenue recognition rules were a concern as well as areas such as fair value and not only when reserves were taken but how much. So the issue of what did you know and when did you know it? What are your processes for capturing that data to have it manifest in financial statements? And so the PCAOB, the indirect regulator, really drove that secondary level of concerns in this area.

SURRAN: How about from the perspective of large companies? Anything you want to add?

WRIGHT: The large companies, in particular, were focused on some of the more technical accounting areas. The larger the company, the more diverse and disparate the organization might be, the more likely it is that a given accounting pronouncement will apply to them.

If they're not in financial services but they've been acquisitive, fair value will apply to them the way it might apply to other assets and liabilities, as well as the new Rev Rec standard and some other areas that were of concern.

Technical accounting was an issue and in this instance, also, it's whether or not they had the staff who could do it. It's back to that personnel complement, do you have the right people with the right skills? Do you have the right pipeline of the right people with the right skills coming up behind them in the organization?

We found that issue in particular was of concern as well as the tax structures. Obviously, the tax structures tend to be more complex and complexity seems to be a direct link to the concern in the survey, as you would expect.

7. Organizational Capabilities

SURRAN: Chris, let's move on to the final category, organizational capabilities. What were the key findings there?

WRIGHT: One of the key findings was that every single one of those findings, Becky, went up in priority. It was across the board, across all organizations. When you consider the 1 to 10 index we had, all of them grew and became really pronounced.
As the CFOs and the finance community grapple with more complex issues and are expected to do more and do it sooner, they're finding that their ability to deal with things administratively has become a challenge.

SURRAN: Any additional commentary there?

WRIGHT: This is where the issue of whether or not the people have the right skills. It wasn't just focused on whether or not the accountant is a good accountant, but whether or not an accountant is a good leader and has the ability to show leadership in the organization.

So the soft skills became a hard issue for finance functions as they're expected to interact with more and different leadership. If you think about all the other findings about how they expect to be at the table during strategic planning, at the table during goal-setting and risk management conversations, that puts them in a room with a different universe of executives with whom they'll have to interact, and that requires them to step up their game in terms of soft skills, leadership, and communication.

SURRAN: What about the perspective of the CFOs and the executives in large companies? Anything you want to add based on the survey results?

WRIGHT: So, the only distinction here between large companies and small companies, Becky, is that in the instance of the overall pool, the scores went up in every single area. In the area of large companies, they went up in only virtually every area, but where they went up, it was much more pronounced.

So the scale of the growth in concern, anxiety, or focus, depending on their state of mind was much more pronounced with the larger companies in this area than it was with the general pool, if you will.

SURRAN: Chris, that's a lot of great information in terms of the five categories. Any other observations based on the survey?

WRIGHT: Again, some of the things that came out of the process were surprising in that risk management came to the forefront in a way that it hadn't before. Not surprising that it came to the forefront, but surprising that it hadn't before. We see CFOs in the finance functions being expected to be at the larger table and reporting on more and different things.

The other thing to note is that I mentioned all of the scores went up, and so the gravity, the concern, or the focus is higher and there was no area where there was a give to go with the take. CFOs and finance professionals are essentially admitting through this survey that they expect their jobs to be harder, and so they're going to need to perhaps function or plan for more resources, maybe ask for bigger budgets.
But in the end, if you think about the things they're trying to do, to be part of the strategy setting, to be part of the risk management and part of the aftermath of seeing how that was achieved, or perhaps even influencing it through areas such as pricing, we think that their hard work will be well, well worth it because it'll improve their professional value, as individuals, but also the way they're viewed inside the organization.

8. Going Forward

**SURRAN:** So, Chris, if you could suggest steps that companies might want to take as a result of the information coming out of the survey, what would they be?

**WRIGHT:** Well, if you just focus on the areas that are of high priority. So if cash is king, and cash analysis and cash forecasting are king, then a CFO in a finance function needs to be very satisfied that they've got the right systems in place to help them, and that they're not doing it off to the side, or cobbling it together on spreadsheets, but that they've got the right cash management assistance in the organization.

If there's going to be concern about a new revenue recommendation standard, and there are areas of decision that need to be made now, CFOs and financial professionals need to get a lot of people, other than themselves, in the room to make decisions about whether or not it will be a retroactive or prospective adoption.

Whether they'll take advantage of the optionalities that are involved in the accounting standards, or to what extent they've involved their board and their audit committee, again, that'll help them with their profile, but it's also a step you need to take when you're undertaking an area like that. You don't want to get ahead of the audit committee that gets to make those decisions.

As it relates to the personnel areas, CFOs are asking to be involved in strategic planning and looking to be involved in risk management. Then they ought to do a strategic analysis of their own department.

You know, if they were concerned about succession planning, they ought to have an understanding of the complement of people and treat their organization almost like it's a mini company and do an assessment of whether they have the right people with the right skills and whether they've got the right pipeline.

Once they have that information, then they have to put together, just like you would in a strategic analysis, the respondent strategic plan, which would put them in the position to actually hire the right people or access the right kind of training.

If it's soft skills, you're not going to get that at a CPA conference, necessarily. So you might need to bring in outsiders to help with business writing, or negotiation training, or other soft skills, HR training.
The CFO or the finance function might need to be a better HR administrator herself. They need to focus on their team, especially in the larger organizations. The finance organization can be a pretty sizeable department; it's essentially a mini company, and they should treat it like that if they're trying to achieve strategic objectives.

They'll need to use that as a model to request budget, request spending authority, request a seat at the table, all in ways that demonstrate their value and improve their ability to realize the value proposition that with all this hard work will come more value to themselves personally and to the organization.

SURRAN: Chris, those were great suggestions. Are there any challenges that viewers will face in order to successfully navigate the steps you suggested?

WRIGHT: Well, Becky, none of the challenges can be overcome for free. They're either going to require time, money, or both, as well as access to other parts of the organization.

So CFOs will need to overcome challenges, like getting into the CIOs queue, and getting on their agenda from a development perspective if they need new systems. They'll need budget authority if they need to buy new systems. They'll need budget authority to hire. They'll need HR to be involved in some of the leadership training.

It's their ability to reach out to other parts of their organization and convince them of what they and we now know as a result of the survey will be pretty important to them.

SURRAN: So if viewers wanted to get more information about the survey, what should they do?

WRIGHT: Well, Becky, the survey is available on Protiviti's website for download in PDF form.

It's available on the FEI's website, and also available on both will be some video discussion by myself and by my colleagues on some of the findings.

WRIGHT: This is all available at no cost. As I mentioned earlier, we undertake this survey to be part of the broader discussion generally, but also to be in a better position to gain insights that help us to help our clients identify and solve problems.

SURRAN: Chris, we've covered a lot of topics today with regards to the survey. If you could leave our viewers with one final thought on the rising tide of the finance challenge survey, what would that be?

WRIGHT: Becky, I would say these results are telling. They're not necessarily surprising. They're indicative of some of the trends we thought were occurring, but they do present a road map to a CFO or finance professional, not only of what's important but of potentially how they can seize on those important areas, act on them, and do so in a way that improves their value to their organization as well as to them personally.
SURRAN: A lot of great information, Chris. Thanks for being here today.

WRIGHT: It's a pleasure to be here, Becky.