The Transformation Mindset:
Expanding Priorities for Finance Leaders of Growing Companies

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Figure 1

Top Three Priorities for Improving Revenue Growth

What are your organization's top three priorities to improve efficiency?

Improving brand recognition and reputation	36 %
Increasing sales to existing customers	34 %
Increasing sustainability in your products and services	33 %
Introducing new products or services	33 %
Improving the customer experience	32 %

0   10   20   30   40

While their day may begin and end with the general ledger, finance departments in midsize companies are constantly sizing up existing and potential risks in their business investments and decisions during the hours in between.

The usual factors involved in setting financial priorities – for example, increasing efficiency, reducing cost, and improving brand recognition and reputation – rarely change, but a new survey from the SAP Insights research center shows that finance leaders are adjusting their approach to achieve those priorities. Survey participants revealed how they view current and emerging priorities, opportunities, and risks and how they transform their processes to elevate their future growth, profitability, and competitiveness.

Setting off revenue growth with brand recognition and reputation

When asked to rank three organizational priorities now and beyond the next 12 months, respondents reported that they see growing revenue as the most important, followed by increasing operational efficiency and mitigating risks. These priorities are likely to retain their primacy; respondents did not expect them to shift significantly beyond the one-year horizon.

Underlying the top-reported revenue drivers is a need for improved brand recognition and reputation, closely followed by or on equal footing with a vast array of priorities (see Figure 1). Finance leaders rank product and service sustainability as one of their top priorities (33%), on par with traditional drivers such as increasing sales to existing customers (34%), introducing new products or services (33%), and enhancing the customer experience (32%). This suggests that finance organizations from midsize companies recognize that the success of their goals is closely interconnected with the rest of the business.

Sustainability Rises as a Top Finance Priority

Our survey shows that sustainability has risen to the top of the business-priority lineup for midsize finance organizations. Across the board, midsize companies are incorporating sustainability directly into the strategies they create and the decisions they make to drive revenue growth, increase efficiency, and mitigate risk. This represents an important shift in priorities.

Survey respondents view sustainability as a revenue driver on equal footing with traditional drivers, such as increasing sales to existing customers, creating new products and services, and improving customer experiences. But leaders are also prioritizing operational

sustainability, along with conventional methods such as improving cost control and spend management and automating processes, to make their businesses run more efficiently. In addition, business leaders are connecting sustainability to their overall risk mitigation strategy and prioritizing the reduction of reliance on scarce resources.

The bottom line: Sustainability is now an essential element of the bedrock activities of growing revenue, increasing efficiency, and mitigating risk. Most notably, it plays a vital role in a company's brand recognition and reputation.

Driving efficiency with traditional cost control

The finance leaders in our survey indicate that they see improving cost control and spend management as their top priorities to improve operational efficiency. However, outsourcing and offshoring are no longer considered magic bullets for cost savings. Instead, organizations are renewing their focus on fundamentals by strengthening processes with more automation and building more dependable supply chains.

Sustainability has also joined the ranks of crucial drivers of efficiency. Respondents are slightly more likely to prioritize making operational processes more sustainable (39%) than focusing on increasing the amount of automation in their processes (37%) or strengthening their supply chains to make them more dependable (33%) (see Figure 2).

Respondents also cited obstacles that prevent process changes needed to achieve corporate goals. Among them was the need to improve efficiency and increase flexibility to adapt better to

Figure 2
Top Three Priorities for Improving Efficiency

What are your organization's top three priorities to improve efficiency?
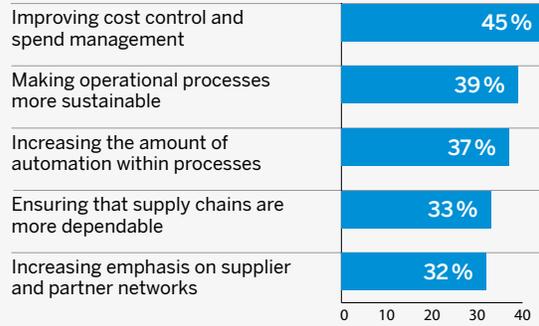
change. Process improvements are hindered by a lack of speed and limited ability to monitor and analyze operations in real time. At the same time, surveyed finance leaders reported a deficit in their interconnectivity with functional processes in other departments, from sales and marketing and service delivery to asset management facilities, corporate strategy, and human resources.

Underlying the top-reported revenue drivers is a need for improved **brand recognition** and reputation.

Evolving perspectives on risk

It's no longer enough for businesses to be thinking of traditional areas of risk, such as thwarting existing competitors, addressing burdens posed by data regulations, and protecting against new market entrants. While these traditional factors of brand recognition and reputation are still important, other challenges – such as cybersecurity

attacks, supply chain fragility, resource scarcity, and internal talent shortages – have been given higher priority.

A wide range of future geopolitical risks is also top of mind for finance leaders. Respondents reported that they are focusing first and foremost on countering economic

stagnation (48%). Furthermore, they are watching for ripple effects on their business from cybersecurity breakdown (38%), as well as a landscape of economic and societal concerns, including crises in employment and livelihoods (36%), infectious disease outbreaks (33%), and climate change (32%) (see Figures 3 and 4).

Figure 3
Top Three Priorities for Reducing Risk

What are your organization's top three priorities to reduce risk?
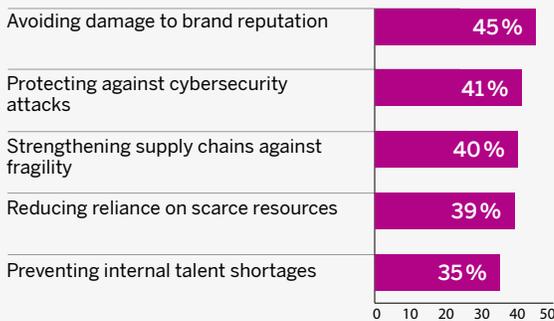
Figure 4
Future Global Risks for Which Organizations Must Prepare

Which of these future global risks will your organization need to prepare for? Select any that apply.
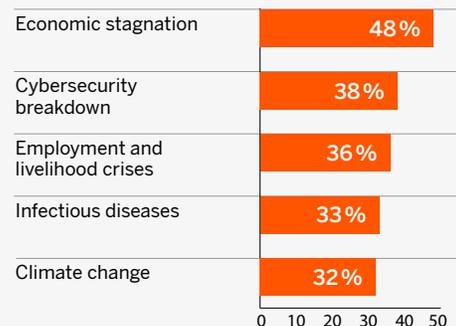
Process innovation is a matter of what to improve, not when

Perhaps one of the most surprising findings in this survey was the lack of consensus on processes that need to be improved or implemented and the capabilities required. Only a 12% differential separated the process requiring the most attention and the one needing the least. The results of this survey question validate what most finance leaders already know – there is no one-size-fits-all approach to process innovation. Depending on their industry and automation maturity across different processes, companies must identify mission-critical areas for improvement based on their requirements, operational gaps, and strategies. This holistic approach gives finance leaders the flexibility to prioritize the innovations necessary to move the business forward effectively. (See Figures 5 and 6 for the top five responses.)

Figure 5
Top Process Improvement Priorities

To achieve your organization's business objectives, which of the following processes must be improved? Select any that apply.

Process	%
Managing continuous cost improvement	24%
Planning budgeting forecasting	24%
Assessing customer and product service profitability	24%
Evaluating and managing financial performance	23%
Conducting cost accounting control and management	22%

0 5 10 15 20 25

Figure 6
Improving the Business Process

What needs to be changed or implemented to improve the business process? Select any that apply.

Process	%
Improve its flexibility and adaptability to change	36%
Increase the overall spend of the business process	36%
Increase monitoring and analytics	35%
Reduce the cost of operation	34%
Increase the level of automation	34%

0 10 20 30 40
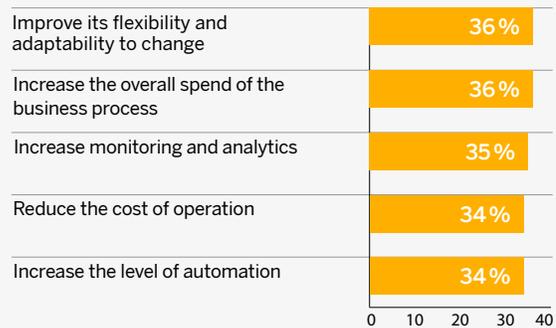
Progressing digital transformation

Surveyed finance leaders recognize that their organization's digital transformation is critical to help increase business performance today, better respond to future risks, and remain competitive. Nearly 90% of these leaders see a positive relationship between profitability and competitiveness and their organization's business transformation.

Two-thirds of respondents claim to have made progress, transforming some planned areas, with 31% reporting that they've completed their journey as initially conceived. However, the survey findings do not portend good things for companies that haven't already started transforming – most of them expect to have made very little progress two years from now.

Looking ahead, participating finance leaders view technological innovation as their top priority in the next three to five years, with digital-experience innovation, sustainability innovation, and product-service innovation also being considered as very important.

The technologies most sought by businesses reflect the recent hardships of increasingly hybrid workplaces and cybersecurity incidents. They are investing in technologies ranging from collaboration tools (75%) and cybersecurity infrastructure (74%) to cloud computing (72%) to transform their processes. Automated business intelligence dashboards (63%), application development platforms (60%), and business process intelligence (59%) also rank highly.

Sustainability is now an essential element of the **bedrock activities** of growing revenue, increasing efficiency, and mitigating risk.

Recommendations

To be successful, finance organizations should transform themselves with these priorities top of mind:

- Protect digital operations against external breaches by improving access governance and threat detection

- Improve the accuracy of disclosures and other reports with a database and data management foundation that provide complete control of all data through a single, integrated platform

- Respond to the immediate challenges of supporting employees who need to work remotely and securely and better preparing for cybersecurity threats

- Pursue cloud technologies to access frequently evolving technology innovations such as cybersecurity, artificial intelligence, machine learning, predictive analytics, and process automation, as well as to achieve comprehensive workflows

Sustainability is a business priority for finance because of its direct connection to protecting and improving a company's brand.

In a turbulent period of increased global risk, finance leaders from midsize companies place high importance on boosting revenue and efficiencies and mitigating risks while continuing to improve brand recognition and reputation. Underlying these fundamental initiatives is sustainability, a new imperative that will become increasingly essential to finance's core strategies in coming years. To make more progress on transformation, which is seen as critically linked to business performance, senior finance leaders need to further improve business processes, increasing flexibility and interconnectedness.

Contact your SAP partner to learn how SAP solutions can help your business transform.

About This Research

The SAP Insights Midmarket Senior Executive Priority study collected data from 10,507 executives from companies with annual revenues of less than US$1 billion across 41 markets and 28 industries. Respondents possessed the highest level of line-of-business responsibility and oversight, with titles ranging from director to chief officer. The surveys were conducted from September 2021 through December 2021, with a 10-minute online survey used to collect the data.

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