



Becoming the Catalyst:

How finance functions are driving shareholder value

Insights from
**PwC's 2024 Finance Effectiveness
Benchmarking Study**



In a recent PwC Pulse Survey, CFOs across industries highlighted the most critical factors impacting their businesses: elevated inflation, higher interest rates and geopolitical uncertainty. Despite the magnitude of these obstacles, there was a general consensus amongst CFOs that they could face these headwinds and meet their long-term growth goals. How do CFOs maintain this confidence in the face of such vast and significant challenges?

As finance organizations evolve their capabilities from stewards of the bottom line to drivers of it, they wield greater authority in influencing the strategic agenda of the business and helping preserve and grow shareholder value. This evolution in capability is driven through finance transformation programs across the maturity spectrum, ranging from cloud system adoption and enabling automation, to programs that harness the exploding advancements in AI and other data technologies to deliver outstanding efficiencies, insights and real-time decision support.

For finance, creating value is straightforward: produce insights that define and help deliver business strategies that increase shareholder returns. And while leading finance functions employ state-of-the-art tools and techniques to drive value, most finance functions are still challenged to hone the fundamentals. A top priority of 43% of surveyed CFOs is establishing finance as a business partner.

The 2024 Finance Effectiveness Benchmark study serves to examine how companies — both industry leaders and enterprises that reside outside the top quartile — are putting finance transformation at the core of their broader business transformations, and how these investments impact their finance functions' ability to create value. The study is conducted on a periodic basis to track the changing sentiment and priorities of business executives.

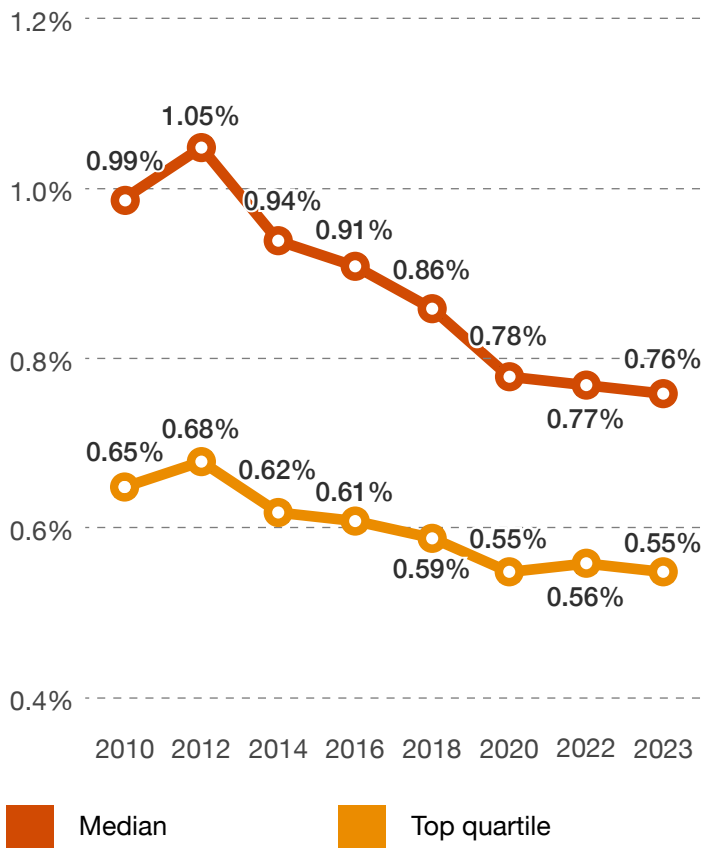


How finance functions have adapted in recent years

After nearly three years dealing with a series of crises from the pandemic to geopolitical issues, executives have learned to expect the unexpected and adapt quickly under intense circumstances. As a result, the modern finance leader isn't just tasked with managing reporting and compliance at the best cost: they're investing more time and resources in capabilities that will help the business better operate in an environment of change and uncertainty. With constant pressure to reduce costs, at what point can finance leaders claim success and shift the focus to value creation initiatives?

For some companies that time may be now. With decreases to the median in previous years, the median and top quartile figures have held steady since 2020. With AI coming to the forefront and top quartile costs leveling off, now may be the time to shift focus from further cost reduction, to improving quality without increasing cost.

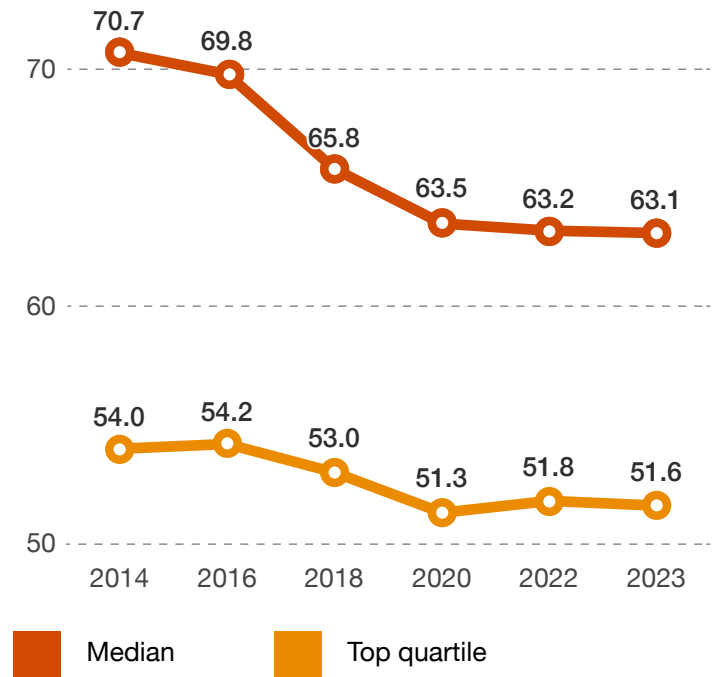
Fig. 1: Finance cost as a percentage of revenue



Source: PwC Benchmarking – Finance Transformation, Dec 2023

With full-time equivalency (FTE) data, we see a similar trend between median and top quartile companies. Over the past three years, the number of FTEs at both median and top quartile companies has remained steady per billion dollars of revenue. However, to gain greater leverage in the finance function, there is a continued trend to offshore resources to global business centers or expand outsource provider usage.

Fig. 2: Full-time equivalents per \$1B in revenue over time



Source: PwC Benchmarking – Finance Transformation, Dec 2023

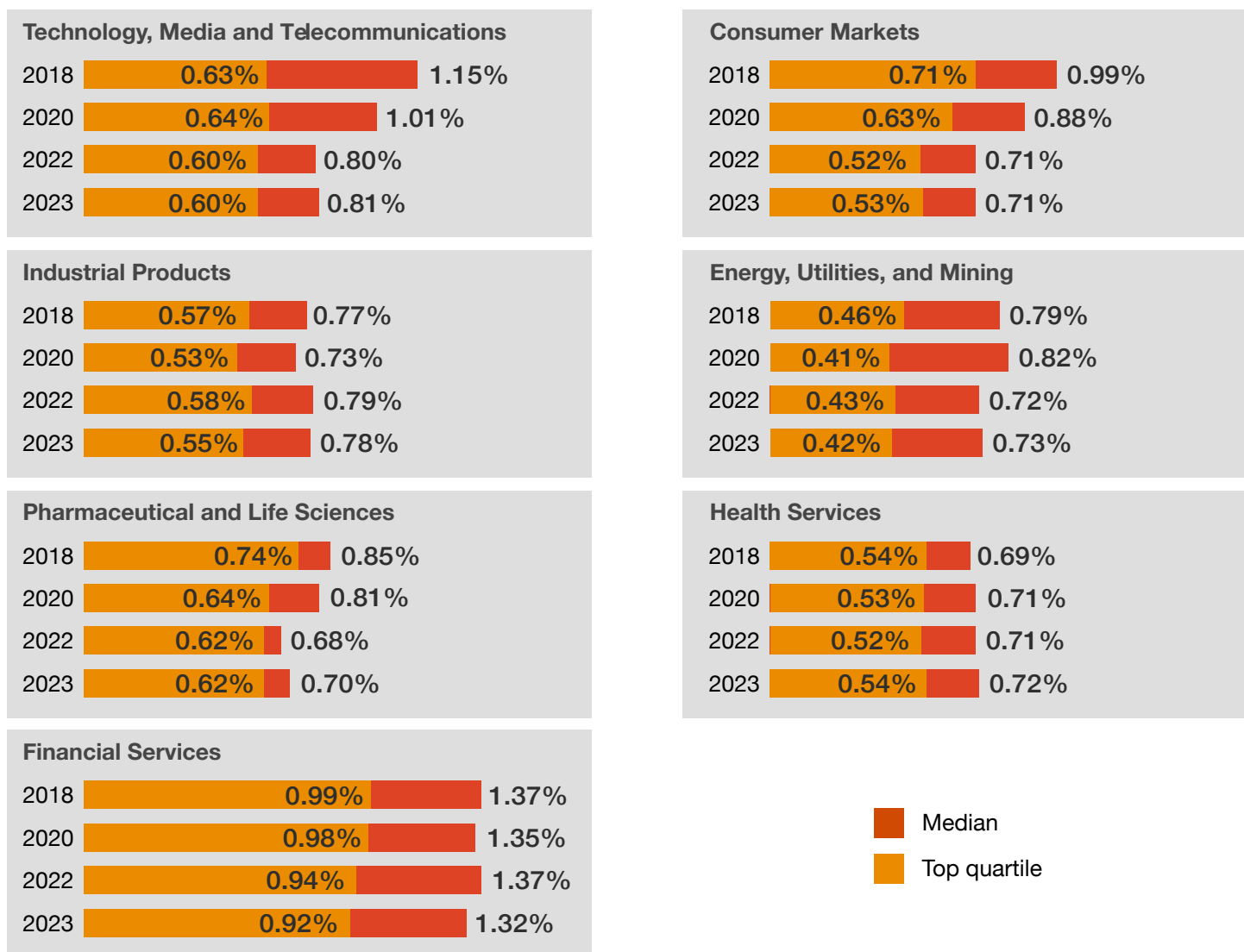
Top Quartile organizations have reduced the cost of finance to

0.55%

of company revenue.

The cost of finance picture changes when examined by industry. Below are the trends over time for the top seven industries:

Fig. 3: Finance cost as a percentage of revenue per industry



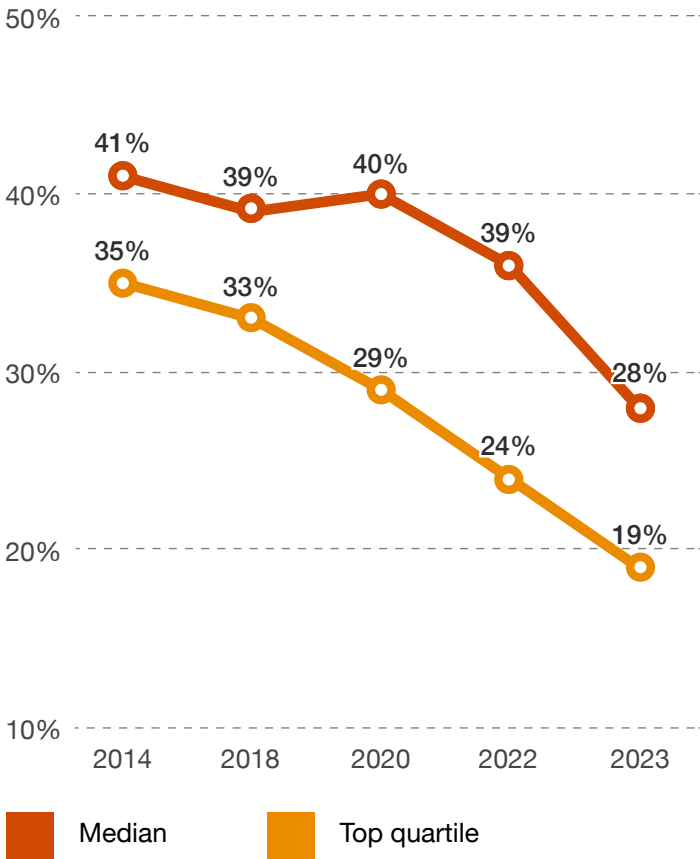
Source: PwC Benchmarking – Finance Transformation, Dec 2023

What the industry data is saying:

- The majority of industries saw a decrease in the cost of finance over time, both in median and in top quartile, however some kept a steady cost in recent years (Financial Services and Industrial Products) and some even saw an increase since 2018 (Health Services).
- Some industries' cost is higher than others due to the role finance plays in that company; in Financial Services, for example, finance typically produces more regulatory reporting, and its operations and facilities tend to be located in more expensive cities (e.g. London, New York, or Singapore).
- In several industries, such as Technology, Media, and Telecommunications and Consumer Markets, the median companies have shown significant reductions in cost, which could be a result of increased focus on the importance of finance efficiency.

Companies are actively employing the power of automation in finance, shifting resource focus to more value-add activities across the board.

Fig. 4: Percent of finance resource time allocated to manual performance of automatable tasks



Source: PwC Benchmarking – Finance Transformation, Dec 2023

- The addressable opportunity continues to decrease for the top quartile and median. However, the gap between the top quartile and median has remained relatively constant in recent years, with top quartile companies consistently making greater improvement over time.
- Of 17 finance processes, management reporting, customer billing and general accounting are consistently the top three processes with the most addressable opportunity (with an average of 33% opportunity for the top quartile).
- Continued focus on process excellence, digitizing shared services centers and technology enablement, such as RPA and AI, have significantly improved performance in recent years.

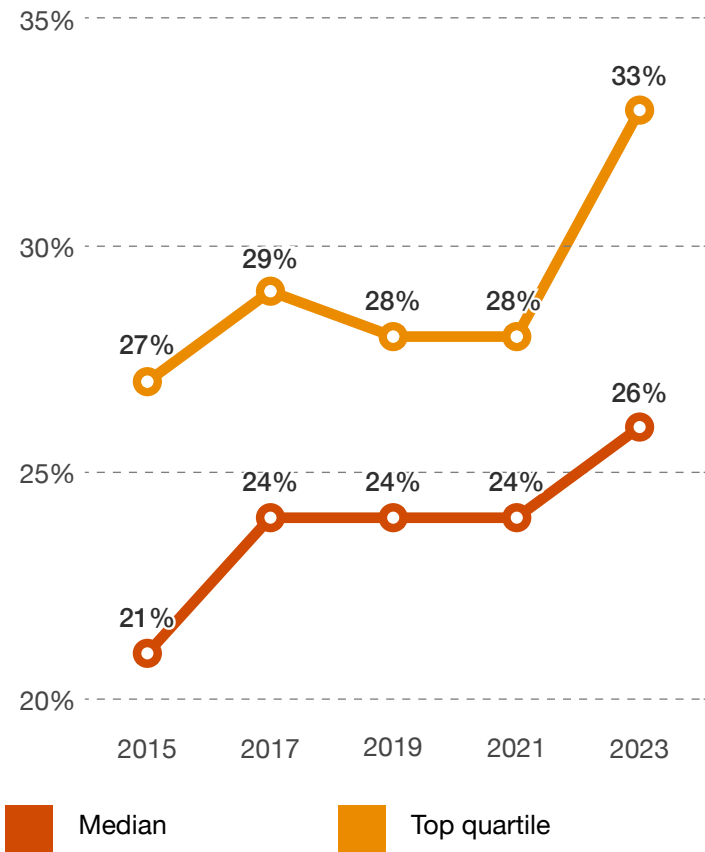
Fig. 5: Percent of finance resource time allocated to manual performance of automatable tasks per process



*Note: Numbers rounded to nearest percent
 Source: PwC Benchmarking
 Finance Transformation, Dec 2023

With business insight (BI) and analytics becoming more of a focus, companies are investing in more costly resources and capabilities to reinforce their finance offerings.

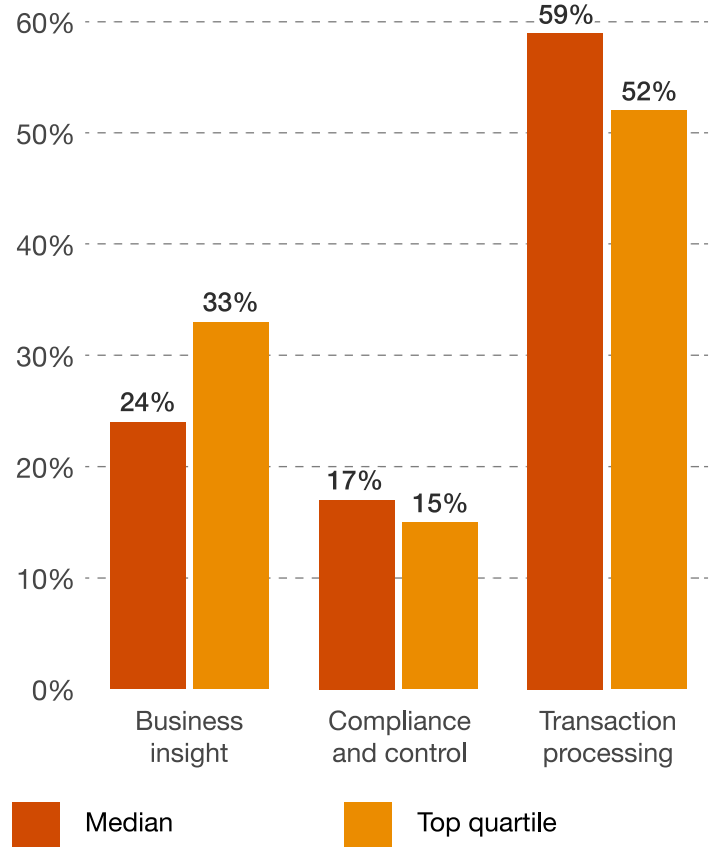
Fig. 6: Percent of finance team focused on business insight



Source: PwC Benchmarking – Finance Transformation, Dec 2023

Companies have continued to create finance functions with a greater percentage of time focused on business insight, compared to previous years. For the first time in 15 years of tracking data, finance is spending over 30% of its time on business insight. By outsourcing, maximizing the use of shared service centers and through technology enablement, the relative time spent on transaction processing has decreased.

Fig. 7: Composition of finance team



Source: PwC Benchmarking – Finance Transformation, Dec 2023

As leaders strive to position finance as a strategic business partner, the need to provide greater business insights becomes a necessity. Aided by new technologies and process enhancements, these resources can help finance functions shift bandwidth away from transaction processing and towards insight and analytical capabilities, setting the stage for more agile responses to a tumultuous corporate landscape.

Fig. 8: Voice of the customer: How are the services of finance ranked in terms of importance to finance and its internal customers?

2023 Grouping	Importance to finance	Importance to customer
Business insight	1	1
Compliance and control	2	2
Transaction processing	3	3

Source: PwC Benchmarking – Finance Transformation, Dec 2023

Both finance and its customers agree that business insight is the most important service delivered by finance. However, while finance believes it performs best in business insight, its customers' perception is finance can improve the most in business insight.

Examining how businesses transition from process to value focused, one of the key enablers to date has been the expanded use of predictive analytics, leveraging complex data to more consistently fit forecasting models, resulting in revenue generation improvement and greater mitigation of risk.

Organizations not ready to hire and deploy BI-focused technologies or resources may continue to focus on relieving their current finance teams from labor-intensive, time-consuming activities to allocate more capacity to business insight practices. 72% of CFOs say talent acquisition and retention is a serious or moderate risk for their companies. At the same time, with the identified automation opportunity across finance sub-functions, businesses have the ability to free up their finance professionals from highly manual processes that often impede higher-level, more rewarding activities.

Where an insurance company may typically require a finance team to sift through volumes of manifests to extract claims data, a low-code automation solution **has reduced the time and effort required by 37%.**

In this way, we see finance organizations moving beyond the traditional objectives of improving current processes and instead focusing on expanding the objectives of finance. With the onset of cutting-edge tools such as intelligent automation and AI, both leading CFOs and their insights-focused teams are positioned to take the next step in becoming drivers of value: navigating transformation for the rest of the company.



How finance and the business can drive shareholder value together

As we look to understand changing business strategies and priorities, we see that almost half (47%) of business executives say they're making changes to strategic planning based on current business conditions — more than any other activity, according to a recent PwC Pulse Survey. When strategic planning optimization is prioritized at the highest level of the business, two things are true:

1 Finance should be involved - to manage and monitor economics

2 Finance should be informed - to confirm expected benefits are realized

The continued goal of the CFO is to rank as a strategic partner to the CEO, defining and delivering on the business vision — and this is demonstrated through effective planning and forecasting.

Fig. 9: Voice of the customer: Which of the following do you believe would make finance processes more effective?

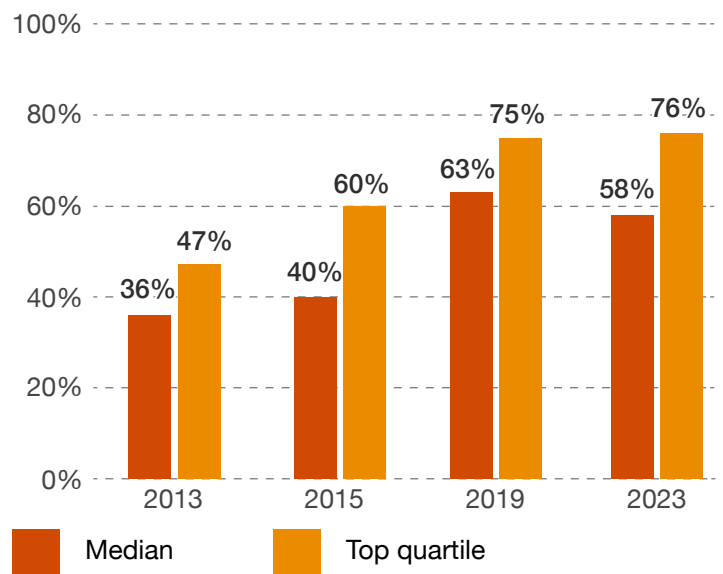
2023 Ranking	Importance to finance	Importance to customer
Improve communication processes and protocols	1	1
Improve collaboration related to finance processes	2	2
Improve finance technology	3	
Improve the quality of interactions and relationships		3

Source: PwC Benchmarking – Finance Transformation, Dec 2023

- Finance and its customers were also asked to evaluate ten items finance could improve to be more effective.
- At top quartile companies both finance and its customers agree improving communication and better ways of working together on business issues are among the top ways finance can improve.

According to our benchmarking results, when asked how they'd allocate hypothetical funds for improvements, "data and systems" was a top response from business leaders across all companies. To provide better insights, finance functions weave data together into a cohesive story, and the better tools and resources they have, the faster and more consistently a narrative can be formed. Through the help of tools that provide integrated data management (like ERPs), automatically transform and parse through data (RPAs and ELTs), and even extract insightful information from data (machine learning and AI), the task of processing data is getting faster and less burdensome at every level of maturity.

Fig. 10: Percent of time FP&A spends on analysis



Source: PwC Benchmarking – Finance Transformation, Dec 2023

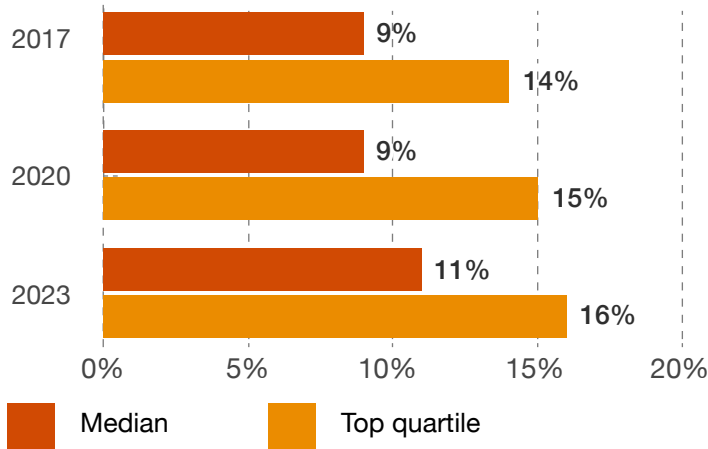
The benchmarking data above illustrates an unexpected dip in median companies' focus on FP&A analysis for the period 2019 to 2023, which may be attributable to the following:

- The duration of the pandemic, which forced many companies (particularly outside of the top quartile) to become more reactive and emphasize backlog management over more strategic analytical capabilities.
- The explosion of data volumes, which has challenged less mature companies to collate and organize data instead of performing analysis on it.
- The disparity of top quartile companies, which have a defined FP&A strategy and organization versus less mature functions with unstructured objectives.

Given the importance of FP&A analysis, this trend warrants continued monitoring.

As data wrangling becomes easier and digestible business insights can be constructed more frequently (using the generative powers of AI), leaders within and beyond finance can leverage insights to capture a more holistic picture of the business over time. Highly skilled specialists harnessing the power of data visualization create near-live insights and continuous planning processes with advanced, integrated cloud planning solutions.

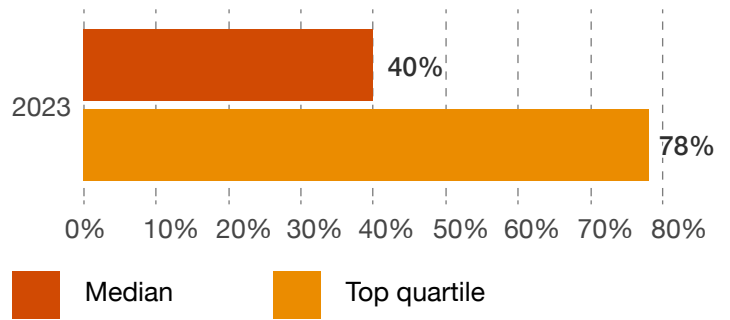
Fig. 11: Finance technology as a percent of total finance spend



Source: PwC Benchmarking – Finance Transformation, Dec 2023

The BI-focused tools and resources that enable these forward-thinkers are in high demand, and the increased spend on finance technology indicates a serious commitment to this concept.

Fig. 12: Percent of finance controls automated



Source: PwC Benchmarking – Finance Transformation, Dec 2023

Advancements in BI production can result in a leaner finance organization, supplemented by a suite of tools that can reduce data processing requirements. This not only improves the finance organization but makes financial and cross-functional insights more accessible to partner functions. Having more accessible and consistent outputs allows partner functions to more readily trust and adhere to finance’s recommendations, in turn enabling faster transformation and reaction to market conditions, increasing shareholder value.

Finance at the cutting edge is achieving synergies across functions within the organization by opening lines of communication between previously siloed capabilities, increasing access to consistent data and insights, and improving adaptability and resilience on a massive scale. With the help of this finance empowerment, business leadership can directly tie vision to action, all of which contributes to increasing shareholder value.



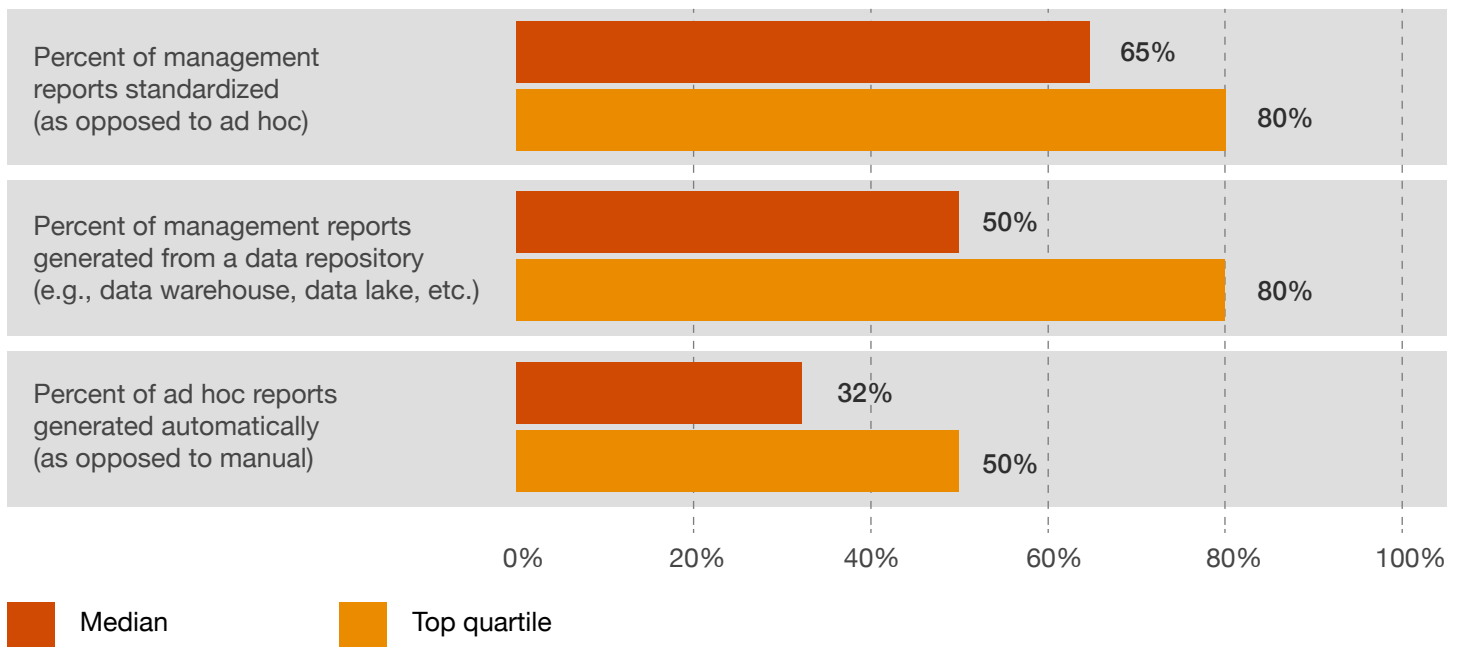
How finance functions can employ new tactics with a change mindset

With transformation targets and investments aligned to the maturity of the organization, finance transformation can enable broader change across the business. Finance and its partner functions can receive and respond to insights in a synchronized process, placing leadership in the best position to execute that change.

For those finance functions well-positioned to act on the most cutting-edge developments, there are plenty of opportunities to execute on that can drive shareholder value, including AI capabilities. The next step for many businesses will be to establish this new corporate dynamic as standard practice. As finance interacts with other business functions more heavily, it will be crucial to identify opportunities that can provide temporary versus recurring benefits. The standard methodology uses key metrics and KPIs that drive business decisions, focusing on a mix of financial data and operational data, to create a unified gold standard and enable cross-department conversations.

For finance functions at different levels of maturity, improving function reaction time, access to cross-function insights and investment in time-tested tools such as cloud-based solutions can contribute to KPI generation and enhance the change capability of the business.

Fig. 13: Top-performing companies outpace their rivals with regular and automated reporting



Source: PwC Benchmarking – Finance Transformation, Dec 2023

Another way to maintain the change mindset is to more effectively govern the business, evolving processes over time to leverage new information and tools. Regularly updating the levers and how they can be executed can help drive transformation and, ultimately, shareholder value.

What you can do:

- When it comes to realizing value, think beyond cost-cutting and focus on team composition. Business insights and strategic partnering benefit the finance function and the customers it serves.
- Prioritize the right technological investments for your firm's maturity level. Whether it's moving finance to cloud or predictive analytics, the right technology can increase efficiency and value creation.
- Consider the value-creating opportunities of finance working with other business functions. Finance can help emphasize a change mindset to help the company more readily tie insight to action.

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Fig. 1: Finance cost as a percentage of revenue

Raw finance costs and company revenue collected to calculate metric. Finance costs include fully loaded labor rates, outsourcing, functional technology, and other finance costs.

Fig. 2: Full-time equivalents per \$1B in revenue over time

Raw finance FTEs and company revenue collected to calculate metric.

Fig. 3: Finance cost as a percentage of revenue per industry

Raw finance costs and company revenue collected to calculate metric. Finance costs include fully loaded labor rates, outsourcing, functional technology, and other finance costs.

Fig. 4: Percent of finance resource time allocated to manual performance of automatable tasks

For each sub-function of finance, employees allocate their time across nearly 200 activities which are then grouped into five categories: waste reduction, automation opportunities, functional tasks, strategic tasks and management. The addressable opportunity is the waste reduction and automation opportunities as a percentage of the total. Oxford Economics conducted a research project for PwC that supplied parts of the data set.

Fig. 5: Percent of finance resource time allocated to manual performance of automatable tasks per process

For each sub-function of finance, employees allocate their time across nearly 200 activities which are then grouped into five categories: waste reduction, automation opportunities, functional tasks, strategic tasks and management. The addressable opportunity is the waste reduction and automation opportunities as a percentage of the total. Oxford Economics conducted a research project for PwC that supplied parts of the data set.

Fig. 6: Percent of finance team focused on business insight

FTEs are collected across finance sub-functions. Five of those sub-functions comprise business insight: strategic planning, budgeting and forecasting, business analysis, performance improvement and tax planning. Business insight is the percentage of total FTEs focused on these five finance sub-functions.

Fig. 7: Composition of finance team

Raw FTE data is collected for finance sub-functions and classified into three groupings. Business Insight sub-functions include strategic planning, budgeting and forecasting, business analysis, performance improvement, and tax planning. Compliance and Control sub-functions include treasury management, internal audit, process and compliance control, and tax compliance and accounting/reporting. Transaction processing sub-functions include cash disbursements (accounts payable and travel and entertainment processing), accounts receivable, credit management, customer billing, debt collection, payroll processing, general accounting, external and financial reporting, and management reporting.

Fig. 8: Voice of the customer: How are the services of finance ranked in terms of importance to finance and its internal customers?

Based upon a survey of finance staff at the manager level and higher and of key internal customers of finance rating finance sub-functions on a 1-10 scale.

Fig. 9: Voice of the customer: Which of the following do you believe would make finance processes more effective?

Based upon a survey of finance staff at the manager level and higher and of key internal customers of finance rating finance capabilities on a 1-10 scale.

Fig. 10: Percent of time FP&A spends on analysis

The percentage of finance analysts' time spent collecting and compiling numbers to create a report (i.e. data collection and reconciliation, report preparation and distribution) versus analyzing and providing commentary on the data/information to provide insight.

Fig. 11: Finance technology as a percent of total finance spend

Raw finance costs are collected for fully loaded labor cost, outsourcing cost, finance technology cost, and other cost. Technology cost is defined as the sum of hardware and software, software and web services, including hosting, data management and warehousing, telecommunications, licenses, helpdesks, security, print services and peripherals, and depreciation.

Fig. 12: Percent of finance controls automated

The metric is calculated by determining the total number of controls and the total number of those controls that are automated.

Fig. 13: Top-performing companies outpace their rivals with regular and automated reporting

The raw number of management reports is provided by the company on an annualized basis. The company breaks down the management reports into how many are standard vs ad hoc, how many come from a data warehouse and how many of the ad hoc reports are automatically generated vs manually generated.



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About this study

PwC provides benchmark analysis of the functions that comprise Selling, General and Administrative Expenses (SGA)—finance, HR, IT, procurement, sales and marketing—for a wide range of leading US, European and international firms. Using a consistent assessment framework for understanding the performance of the SG&A functions, the results allow you to compare your performance across your organization and against other companies.

The PwC Benchmarking – Finance Transformation is sourced from detailed, in-depth studies conducted on nearly 1,000 finance benchmarks, measuring the effectiveness and efficiency of finance across dimensions such as geography, industry and size of organization, while also providing insights into what finance teams are doing to deliver benefits to their organizations. The updates to the data are based on the additional ~200 studies which were conducted in the 2021-2023 benchmarking period. The study is based on companies with \$1 billion in revenue or greater from industrialized countries.

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