

The Evolving Role of the CFO in 2023

How Manufacturers and Distributors Are Responding to Disruption, Managing Economic Pressures, and Supporting Growth



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Table of Contents



CLICK BELOW TO NAVIGATE TO EACH SECTION IN THIS DOCUMENT.

In This InfoBrief	3	The Impact of Cloud ERP on Data Accessibility, Silos, and Reducing Complexity	11
Financial Performance and Growth Drive IT Investments	4	Utilizing Technology to Maximize Transformation Efforts	12
Finance and Accounting Reactions to Economic Conditions	5	Voices from the Industry	13
What’s Holding Companies Back?	6	Key Takeaways	14
Top Objectives of Finance and Accounting Teams	7	Appendix: Supplemental Data	15
The Risk of Inaction	8	About the IDC Analysts	17
Top Financial Use Cases by Industry	9	Message from the Sponsor	18
Moving Away from Legacy, On-Premises Systems	10		

In This InfoBrief

Manufacturing and distribution industries have faced continual disruption, requiring companies to adapt and rethink how they do business. At the same time, economic pressures have made more effective financial management a top near-term priority. To examine the state of these industries and highlight the strategic priorities of successful financial departments, IDC conducted a study of over 200 worldwide companies with revenues between \$100 million and \$1 billion.

Respondents were director-level and above, in finance or accounting roles, as well as the primary decision makers for digital transformation (DX) or part of a DX team making decisions associated with enterprise IT systems such as enterprise resource planning (ERP).

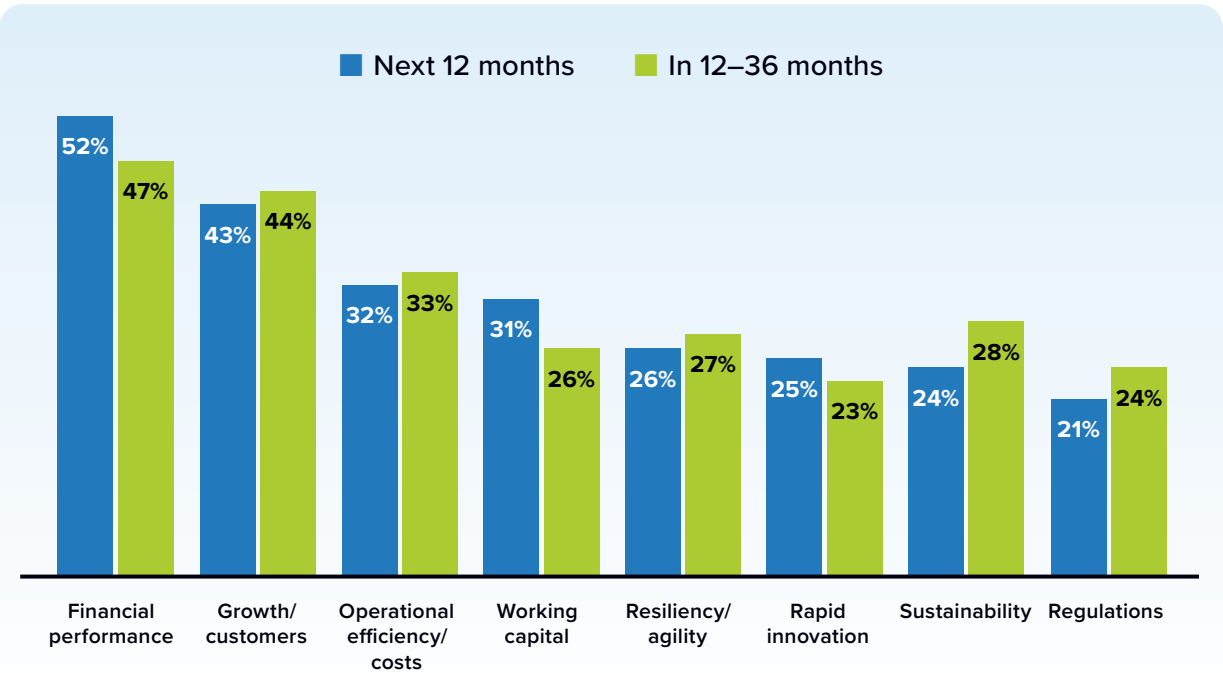
This InfoBrief, sponsored by Epicor, explores the results of this study and how organizations are balancing their short- and long-term goals. These goals include tightening financial management, better data management to support decision making, and growing the business through expansion into new markets. The key findings and insights in this InfoBrief are based on the survey that was completed in May 2023.

n = 216; Source: IDC's *Manufacturing & Distribution CFO Survey*, May 2023

Financial Performance and Growth Drive IT Investments

Which of the following initiatives will be significant drivers behind IT investments at your organization short and long term? (Select top 3)

(% of respondents)

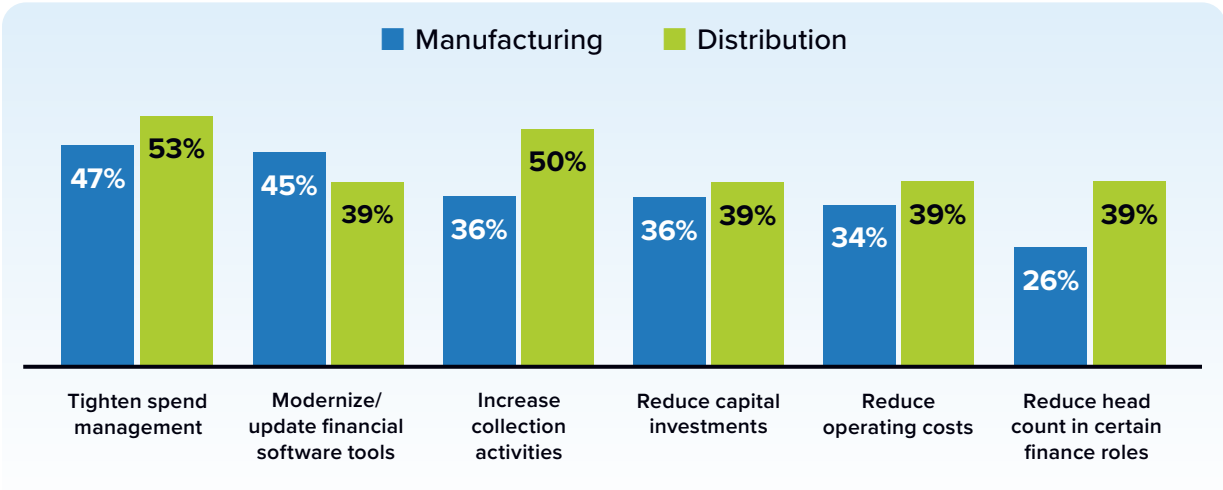


n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023
For an accessible version of the data in this figure, see [Figure 1 Supplemental Data](#) in the Appendix.

- ✓ Economic uncertainty and inflation concerns have made financial performance the top concerns during the next 3 years.
- ✓ Expanding the customer base also remains a consistently high goal for manufacturers and distributors no matter the timeframe.
- ✓ Sustainability ranks as a lower near-term priority due to current market conditions but is expected to rise long-term due primarily to compliance concerns.
 - Distributors have a higher short-term focus on and more mature approach to sustainability than manufacturers.
- ✓ Unsurprisingly, efficiency and costs are ever-present drivers for manufacturers and distributors. They are key metrics for operational excellence.
- ✓ Balancing these short- and long-term priorities remains a pressing challenge for most companies.

Finance and Accounting Reactions to Economic Conditions

Which of these reactions to the current economic uncertainty has your company’s finance or accounting team taken or expect to take?
(% of respondents)



n = 216; Source: IDC’s Manufacturing & Distribution CFO Survey, May 2023
For an accessible version of the data in this figure, see [Figure 2 Supplemental Data](#) in the Appendix.

Over 80%

of respondents agree that economic uncertainty has “significantly” elevated the importance of the CFO.

- ✓ Most organizations start by tightening spending management to get the most out of every dollar spent.
- ✓ Distributors are reacting more as an industry to economic drivers with collection activities and head count reductions.
- ✓ Modernizing the tools that finance and accounting groups rely on is an important action to improve efficiency and business performance.

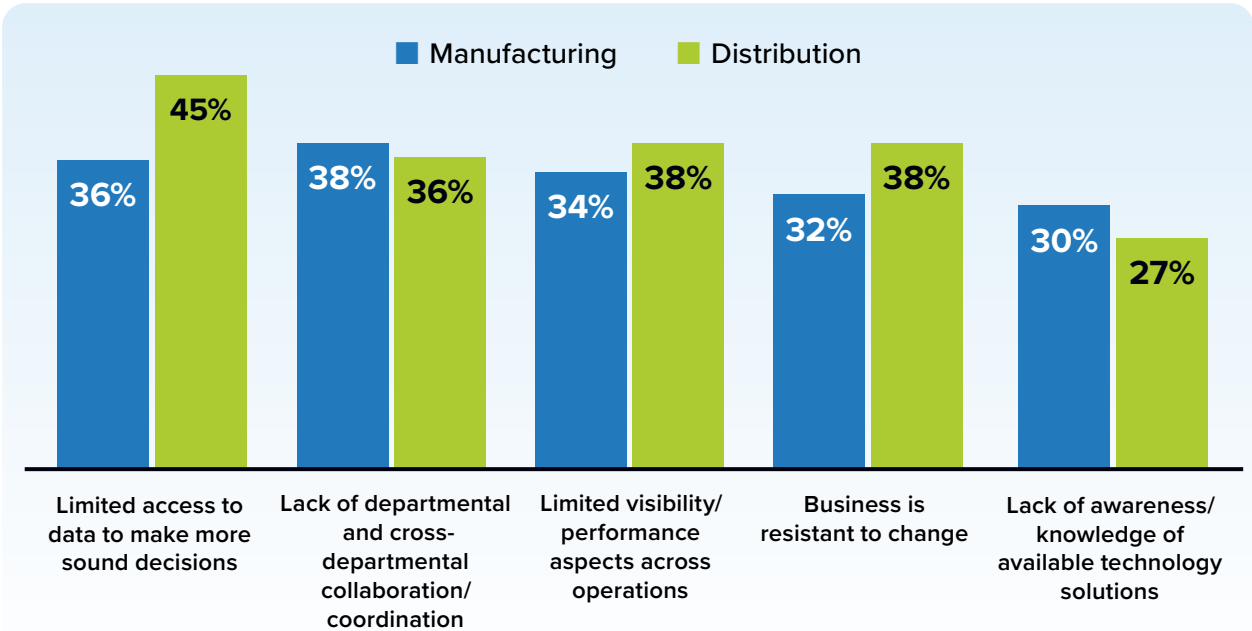
“Improving the cash flow should be one of the utmost priorities of a CFO. We have been trying to do that as an organization to be able to adapt to the constant disruption facing the industry, but it is still challenging.”
—Director of finance, large Canadian fabricated metals manufacturer

What’s Holding Companies Back?

- ✓ The ability to utilize data for better decision making is essential for any successful DX program.
- ✓ Collaboration remains a top challenge within groups and across functional groups; tools that can help employees work better together are required.
- ✓ Data silos are an issue both for supporting collaboration and providing visibility to operational performance.
- ✓ Technology will play an important role in addressing all these barriers. Finance and accounting groups can greatly benefit from solutions currently available.

Barriers to Digital Transformation in Manufacturing and Distribution

(% of respondents)



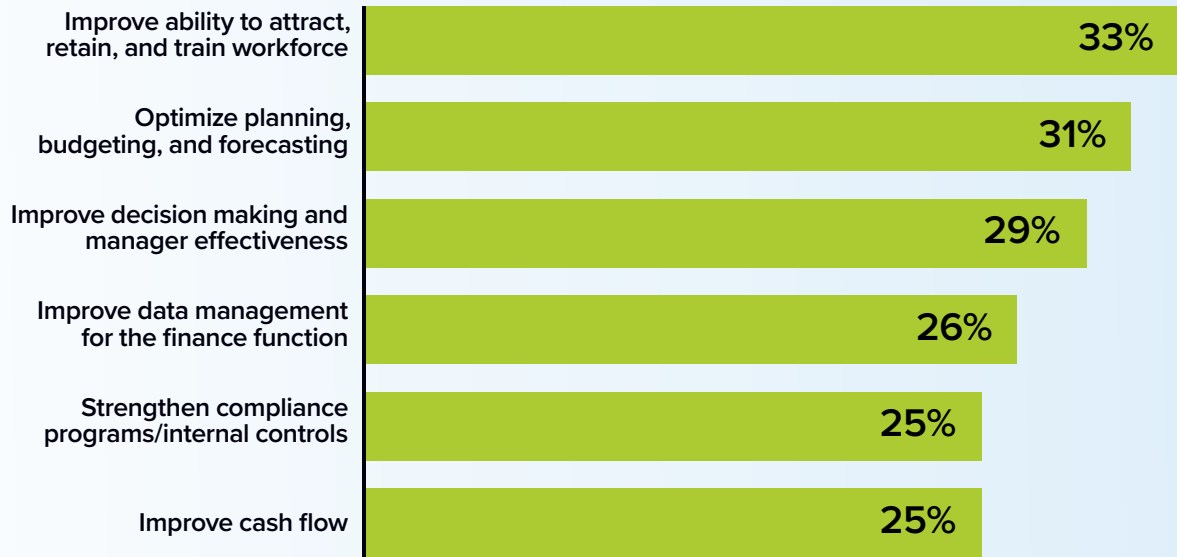
n = 216; Source: IDC's *Manufacturing & Distribution CFO Survey*, May 2023
For an accessible version of the data in this figure, see [Figure 3 Supplemental Data](#) in the Appendix.

“The industry is experiencing **rapid technological advancements, changing consumer preferences, and increased competition.**
The role of the CFO is to develop and execute the company’s financial strategy that will help address these pressures.”

—Director of finance, small U.K. distributor (electrical)

Top Objectives of Finance and Accounting Teams

What are your top 3 finance/accounting business objectives over the next 12 months?
(% of respondents)



n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

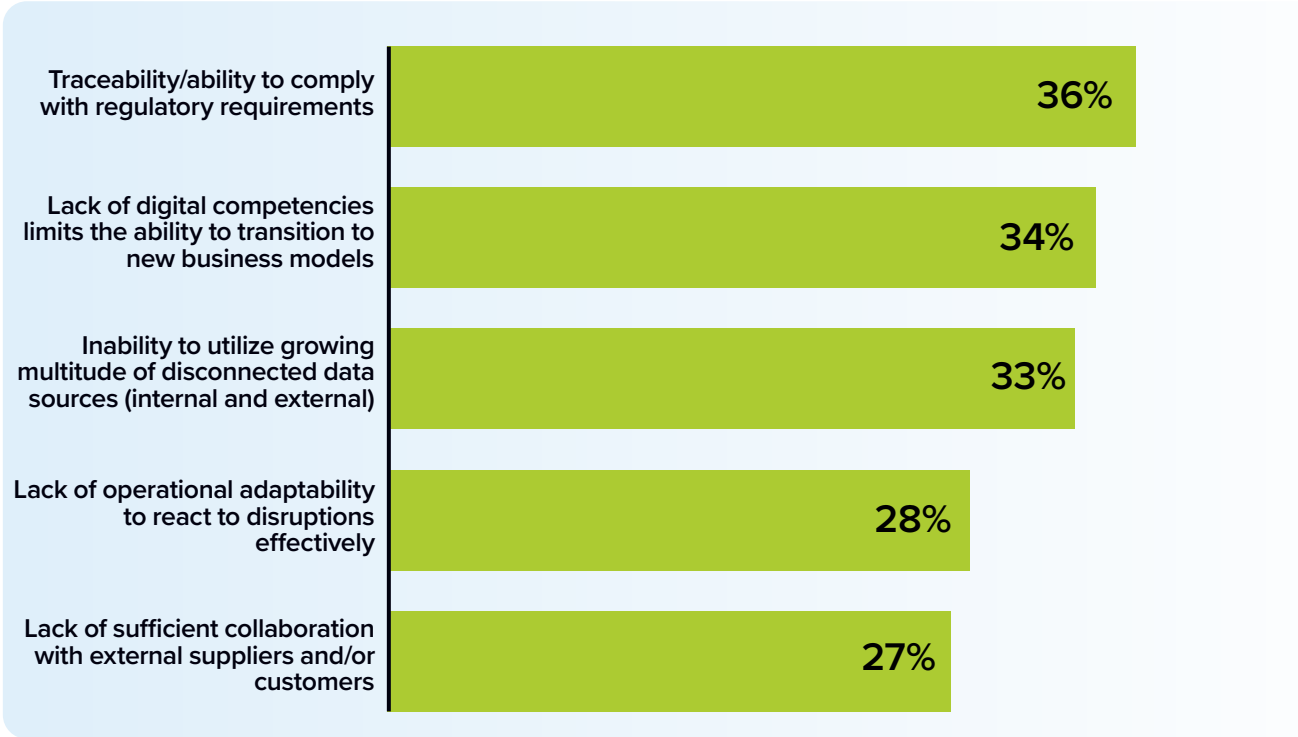
- ✓ Growing talent gaps affect all parts of the business; finance and accounting teams cited labor issues as their top overall objective.
- ✓ A lack of knowledge is the biggest reason for finance and accounting talent issues. Finding ways to capture, manage, and share expertise across the organization will be critical.
- ✓ The ability to utilize data for better decision making is essential for any successful DX program, and this is especially true for finance functions wanting to improve their planning, budgeting, and forecasting.
- ✓ Manufacturers and distributors face a regulatory environment only growing in complexity, especially as sustainability mandates take focus across different regions.

“The most important step taken by our organization is **employee upskilling**. More and more training programs have been introduced for the existing employees.”
—Director of accounting, small U.S. industrial machinery manufacturer

The Risk of Inaction

- ✓ As regulatory environments continue to evolve, compliance remains a top concern for finance and accounting groups, especially for companies wanting to expand into new markets or regions.
- ✓ Increased competition and the desire to get closer to consumers have made new business models appealing. However, manufacturers and distributors often lack the digital infrastructure to make this shift.
- ✓ Organizations are struggling to utilize the data currently available; this problem will only get worse as more data becomes available over time.
- ✓ Achieving more adaptable operations and better supplier collaboration can be traced back to solving data issues.
- ✓ Instead of digitizing inefficient processes, companies should rethink the business from the ground up, providing the data each department needs.

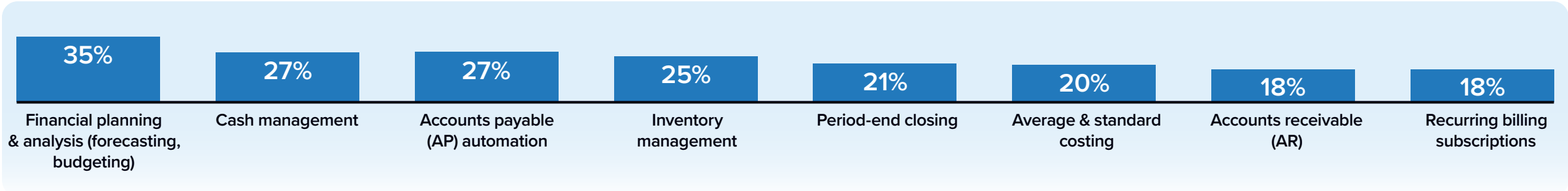
As you think about the future of your business, what consequences are likely to be the most problematic if your organization does not digitally transform?
(% of respondents)



n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

Top Financial Use Cases by Industry

Which of the following financial use cases or processes will be your top 3 priorities over the next 12 months?
(% of respondents)

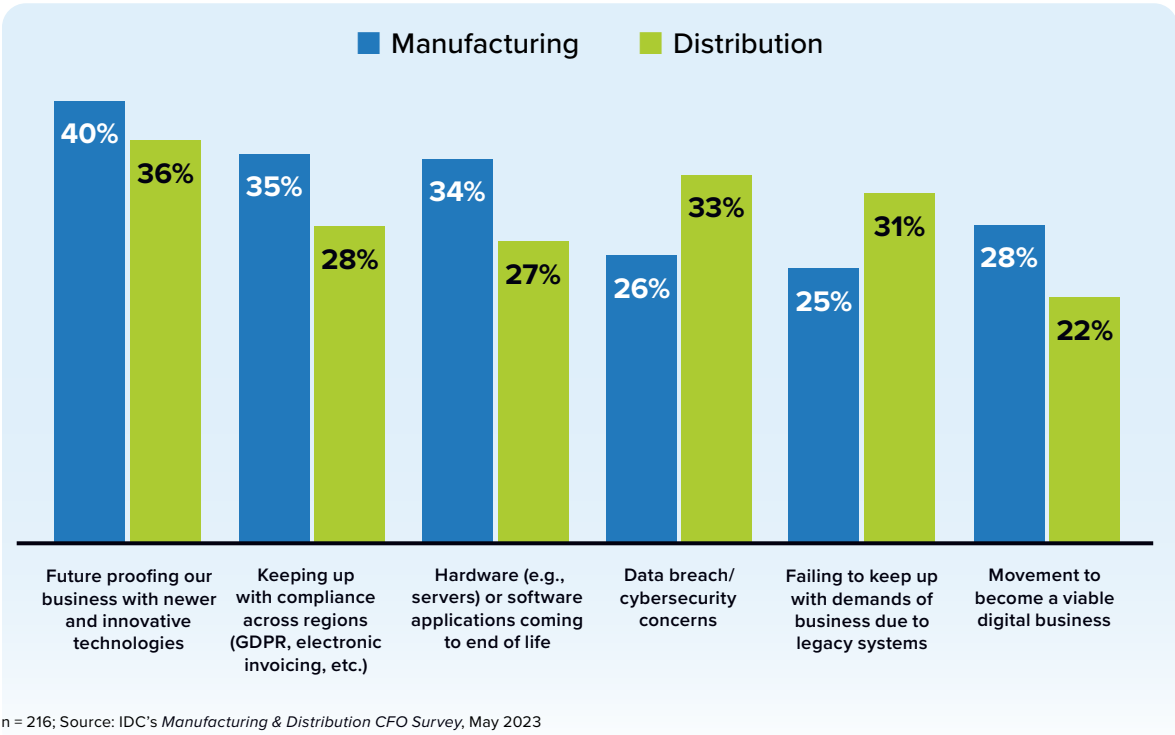


n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

- ✓ Many expect CFOs to be more involved with business planning and strategy going forward. The most mature companies are more likely to expect CFOs to potentially add new areas of responsibility, such as procurement or risk.
- ✓ Financial planning, cash management, and accounts payable automation are top targets for optimization. Manufacturers are more focused on period-end closing; distributors more on inventory management.
- ✓ Manufacturers and distributors listed these consistent pain points:
 - Capital appropriation process is not well coordinated with long-term planning (25%).
 - Planning, budgeting, and forecasting process is inefficient and error prone (23%).
- ✓ Optimizing these processes can improve earnings before interest, depreciation, taxes, and amortization (EBITDA) and margins; increase revenue; and better communicate financial performance to stakeholders.

Moving Away from Legacy, On-Premises Systems

Which of the following “trigger events” have been or would be most important in leading you to use cloud ERP services?
(% of respondents)

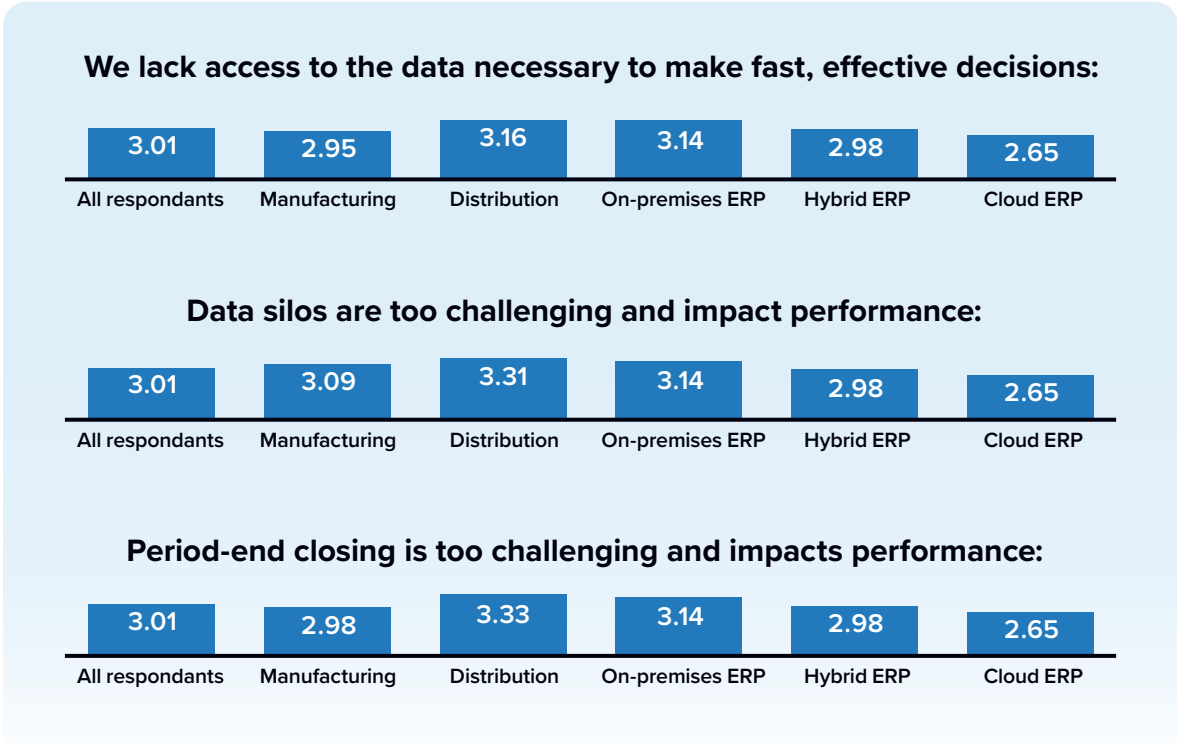


- ✓ By far, the top motivator for organizations moving to the cloud is to “future proof” the business, as cloud is a prerequisite to innovative technologies.
- ✓ Growing compliance concerns among finance and accounting groups have helped shift more companies to the cloud.
- ✓ Companies don’t want to be in the hardware or software business and welcome the move from capex to an operating expense model.
- ✓ Recent disruptions have laid bare the need for greater connectivity and accessibility to ERP. Companies are seeing how legacy systems hold them back.
- ✓ Security has always been cited as a concern by those with a limited understanding of cloud. The reality is that cloud systems are often more secure than on-premises.

The Impact of Cloud ERP on Data Accessibility, Silos, and Reducing Complexity

What is your level of agreement with the following statements?

(1 is strongly disagree, 5 is strongly agree)

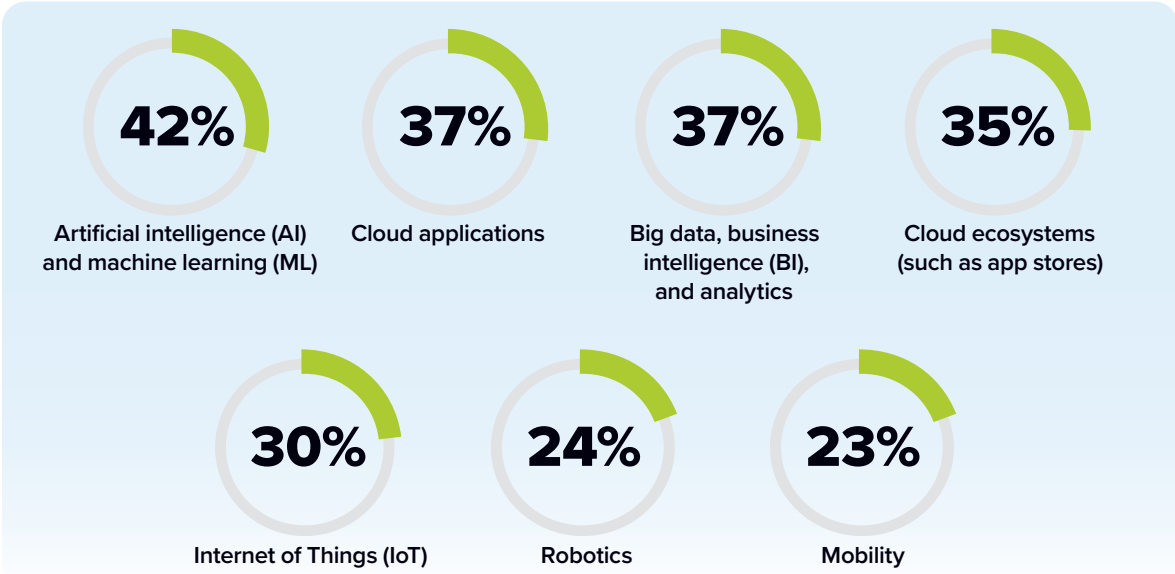


n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

- ✓ On-premises ERP is still the most common deployment approach for these industries (56.5% of respondents), but half of those companies plan to migrate to the cloud within the next one to two years.
- ✓ Distributors are currently less mature and less focused on cloud. Internal buy-in is their top issue.
- ✓ Even though only 18.5% of respondents have fully moved to the cloud, the benefits are impactful. Cloud ERP adoption led to higher DX maturity and improved revenue and profit performance.
- ✓ Cloud’s impact on improving data utilization, eliminating silos, and reducing closing-process complexity is clear when compared to companies still on premises.
- ✓ It’s clear that continued investment in digital technology such as cloud systems remains essential to build the foundation for transformation.

Utilizing Technology to Maximize Transformation Efforts

Technologies With Greatest Impact Over Next 5 Years (% of respondents)



n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

- ✓ Internet of Things (IoT), analytics, and artificial intelligence/machine learning (AI/ML) allow companies to collect, manage, and analyze growing amounts of data.
- ✓ Goals are to find patterns, turn data into actionable insights, and enable automation across manufacturing processes.
- ✓ These new and innovative technologies are not feasible without the scalability and computing power of cloud, both for applications and ecosystems.
- ✓ Providing all these capabilities and insights to employees, no matter their location, is still important.

“We have embraced digital technology to **streamline operations, optimize efficiency, and enhance customer experience.** The CFO has become even more important for providing forecasts, budgeting, and performance analysis to support this strategic decision making.”
—Director of finance, large Canadian fabricated metals manufacturer

Voices from Industry

“Improving the cash flow should be one of the utmost priorities of a CFO. We have been trying to do that as an organization to be able to adapt to the constant disruption facing the industry, but it is still challenging.”

—Director of finance, large Canadian fabricated metals manufacturer

“The industry is experiencing rapid technological advancements, changing consumer preferences, and increased competition. The role of the CFO is to develop and execute the company’s financial strategy that will help address these pressures.”

—Director of finance, small U.K. distributor (electrical)

“We’ve seen a large growth in online sales during the pandemic and hope to be able to keep the same level going forward. The CFO needs to be able to forecast where the company needs to be financially and have a plan to get there.”

—EVP/SVP finance, mid-sized Australian industrial machinery manufacturer

“We have embraced digital technology to streamline operations, optimize efficiency, and enhance customer experience. The CFO has become even more important for providing forecasts, budgeting, and performance analysis to support this strategic decision making.”

—Director of finance, large Canadian fabricated metals manufacturer

“The most important step taken by our organization is employee upskilling. More and more training programs have been introduced for the existing employees.”

—Director of accounting, small U.S. industrial machinery manufacturer

Key Takeaways



Economic conditions make initiatives to optimize financial and accounting processes even more important in the near term.



The value of cloud is evident. Start moving to the cloud today if you haven't yet.



A lack of knowledge is the biggest challenge for finance and accounting talent. Find ways to capture, manage, and share expertise across the organization.



Maximize the value of your data and transform the decision-making process by adopting AI/ML technologies.



Focus on solving data challenges and providing employees access to real-time information to make the best decisions possible.



Do not let market conditions hold back investments. Digital technology will serve as the foundation for manufacturing and distributing transformation.

Appendix: Supplemental Data

The tables in this appendix provide an accessible version of the data for the complex figures in this document. Click “Return to original figure” below this table to get back to the original data figure.

FIGURE 1 SUPPLEMENTAL DATA

Which of the following initiatives will be significant drivers behind IT investments at your organization short and long term? (Select top 3)

	Next 12 Months	In 12-36 Months
Financial performance	51.9%	46.8%
Growth/customers	42.6%	43.5%
Operational efficiency/costs	32.4%	32.9%
Working capital	31.0%	26.4%
Resiliency/agility	25.5%	26.9%
Rapid innovation	24.5%	22.7%
Sustainability	23.6%	28.2%
Regulations	21.3%	24.1%

n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

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FIGURE 2 SUPPLEMENTAL DATA

Which of these reactions to the current economic uncertainty has your company's finance or accounting team taken or expect to take?

	Manufacturing	Distribution
Tighten spend management	46.7%	53.1%
Modernize/update financial software tools	45.4%	39.1%
Increase collection activities	36.2%	50%
Reduce capital investments	36.2%	39.1%
Reduce operating costs	34.2%	39.1%
Reduce headcount in certain finance roles	25.7%	39.1%

n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

[Return to original figure](#)

Appendix: Supplemental Data (continued)

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FIGURE 3 SUPPLEMENTAL DATA

Barriers to Digital Transformation in Manufacturing and Distribution

	Manufacturing	Distribution
Limited access to data to make more sound decisions	35.5%	45.3%
Lack of departmental and cross-departmental collaboration/coordination	37.5%	35.9%
Limited visibility/performance aspects across operations	34.2%	37.5%
Business is resistant to change	31.6%	37.5%
Lack of awareness/knowledge of available technology solutions	30.3%	26.6%

n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

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FIGURE 7 SUPPLEMENTAL DATA

Which of the following “trigger events” have been or would be most important in leading you to use cloud ERP services?

	Manufacturing	Distribution
Future-proofing our business with newer and innovative technologies	39.5%	35.9%
Keeping up with compliance across regions (GDPR, electronic invoicing, etc.)	34.9%	28.1%
Hardware (e.g., servers) or software applications coming to end of life	34.2%	26.6%
Data breach/cybersecurity concerns	25.7%	32.8%
Failing to keep up with demands of business due to legacy systems	25.0%	31.3%
Movement to become a viable digital business	28.3%	21.9%

n = 216; Source: IDC's Manufacturing & Distribution CFO Survey, May 2023

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About the IDC Analysts



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Reid Paquin is a research director for IDC Manufacturing Insights, responsible for the IT Priorities and Strategies practice. His core research coverage includes IT investments made across the manufacturing industry and manufacturers' progress with digital transformation. Based on his background covering the manufacturing space, Reid's research also includes an emphasis on the technology enablers that help manufacturing executives make better-informed operational decisions.

[More about Reid Paquin](#)



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Roderick Gaines is a research director for IDC's Worldwide Supply Chain Strategies Program, responsible for providing research, analysis, and guidance on key business and IT issues pertaining to manufacturing, retail, and healthcare supply chains. He currently leads the Worldwide Supply Chain Strategies: Warehousing, Inventory, and Order Management practice, providing fact-based research, analysis, and insight on best practices and the use of information technology to assist clients in improving their capabilities in these critical supply chain fulfillment areas.

[More about Roderick Gaines](#)



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As group vice president, Simon Ellis currently leads the U.S. Manufacturing Insights, U.S. Energy Insights, and Global Supply Chain Strategies practices at IDC, specializing in advising clients on manufacturing/energy strategies, supply chain digital transformation, sustainability, cloud migration, network, and ecosystem design. Simon works with end-user companies, supply chain organizations, and technology providers to develop best practices and strategies leveraging IDC quantitative and qualitative data sets.

[More about Simon Ellis](#)

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