



Future CFO Study

September 2021



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Introduction

The aim of this research was to understand how the role of the Chief Financial Officer (CFO) is evolving, and the challenges that people who will become CFOs in the future will have to face.

The objectives included understanding:

1. What are the new responsibilities of a CFO?
2. Do CFOs have access to all the tools they need to fulfil their role?
3. To what extent have companies automated their financial processes?
4. How much of the financial department is still manual?

Methodology

The survey was conducted among 529 CFOs and financial decision makers in the UK, broken down by 211 CFOs and Heads of Finance and 318 other financial decision makers.

At an overall level results are accurate to $\pm 4.3\%$ at 95% confidence limits assuming a result of 50%.

The interviews were conducted online by Sapio Research in August and September 2021, using an email invitation and an online survey.

Key Findings

34%

Over a third aren't confident their current finance solutions will be able to **scale with them** as a business.



91%

have to **carry out manual tasks** as part of their job, for

52%

this takes up the majority of their week (20 hours+).

37%

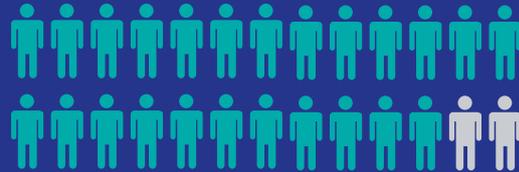
More than a third can only forecast up to three months in advance,

8%

can only forecast one month.

91%

of senior financial DMs feel the evolution of their role has put **more pressure** on them.



53%

On average, companies have moved 53% of their financial services to the cloud.



99%

of senior financial DMs have seen their role **evolve** in the past three years.

The evolution of the CFO role

Change is evident in almost every business sector and division, driven by many different forces; digital transformation, the pandemic, Brexit and ESG factors to name a few. To witness this change, you need to look no further than the role of the Chief Financial Officer. The pace of change of the CFO has accelerated considerably. To substantiate this, 99% of CFOs, Heads of Finance and Finance Directors stated that their role had evolved over the past three years, 80% of which said it had evolved significantly.

The additional responsibilities being placed on these roles look to provide ample opportunity to affect company growth. 45% stated that they had a new responsibility to modernise the finance strategy and processes, 43% stated they had new responsibility to provide accurate learnings from the business' need to pivot during the pandemic and 42% had new responsibilities to provide

data driven forecasts and accurate insights.

Perhaps unsurprisingly, given the growing dominance of this role, a significant number of CFOs have also gained new responsibilities outside of the finance function. For 38% this involved company culture and human leadership (with a notable difference with in-office workers,

45% compared to remote workers, 28%). 37% had new responsibilities for connecting the business and identifying silos/inefficiencies, 36% for providing accurate learnings from business diversion and 31% had a new responsibility for the company's ESG efforts.

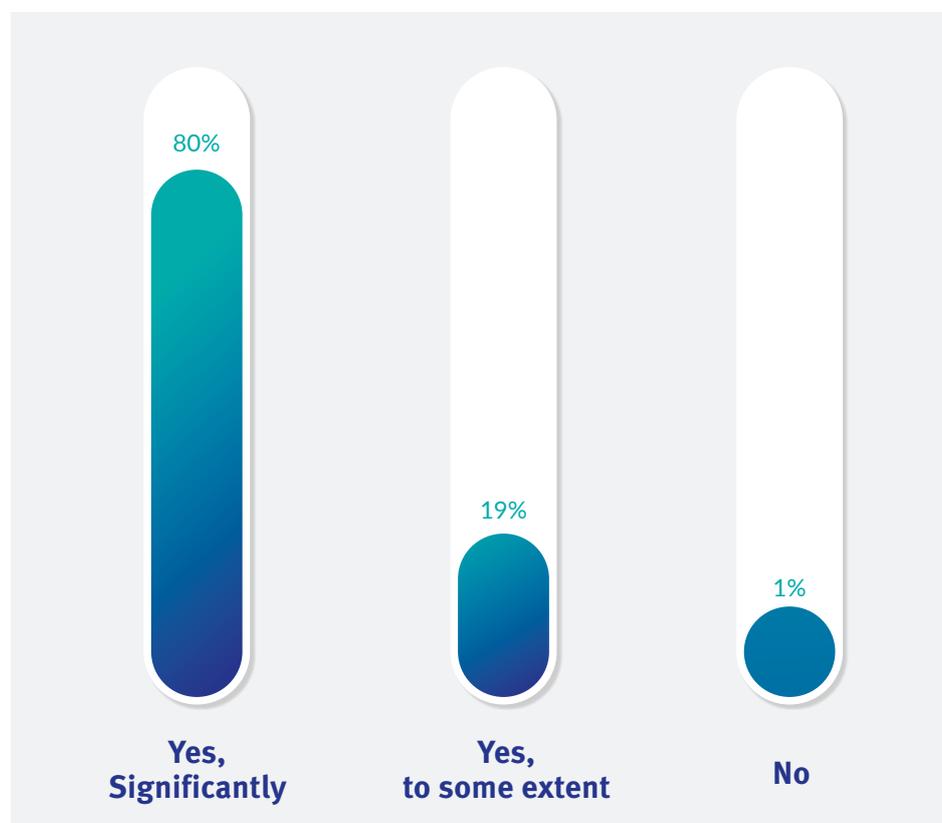


Figure 1: Has your role evolved over the last three years?

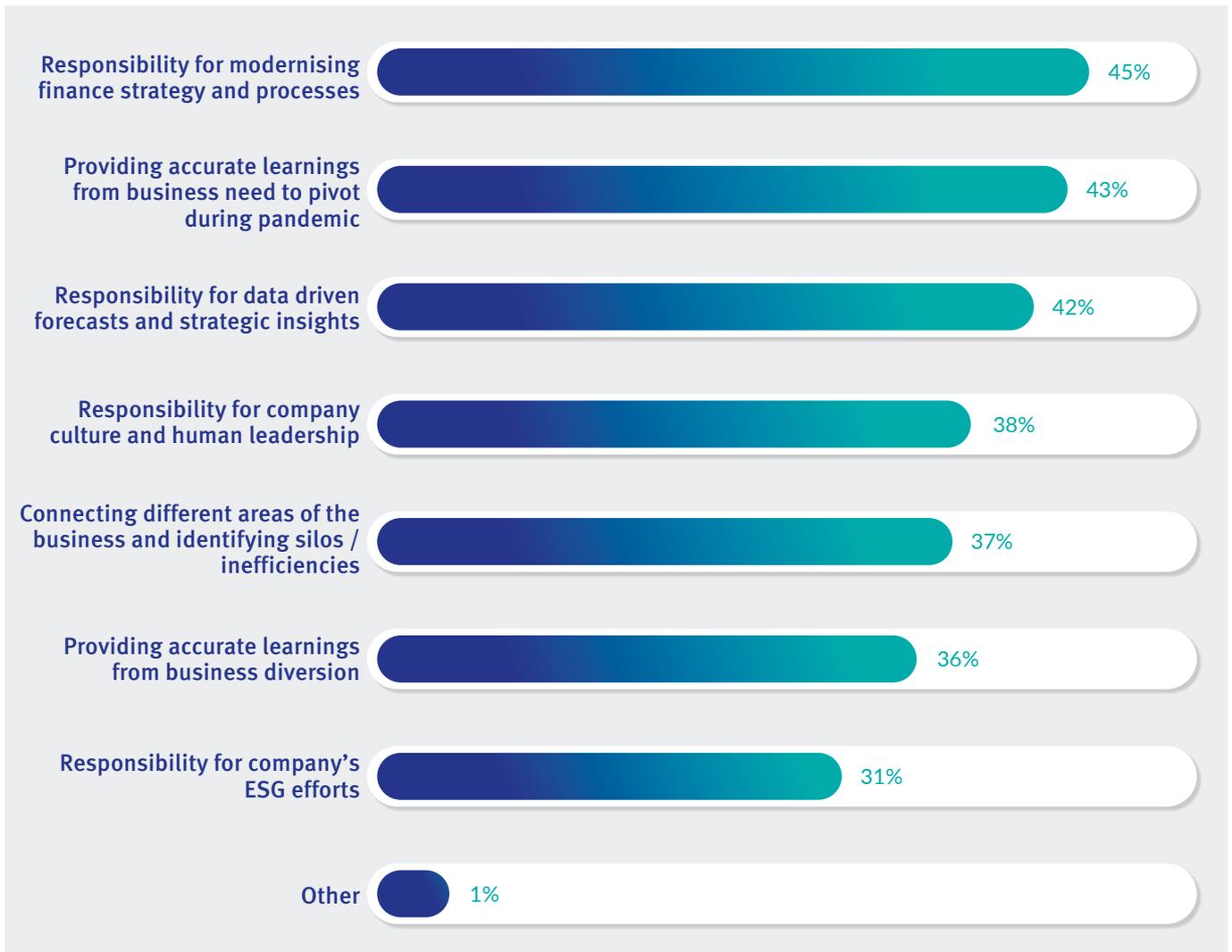


Figure 2: Which of the following new responsibilities have you been asked to take on?

Whilst the increasing importance of the role and diversification of responsibilities across the organisation puts today's CFO in a unique position to affect substantial company growth, it comes with a warning. If the increasing weight of this role is not enhanced with the right tools and technology, it can lead to overworking, mismanagement and many frustrations that impact the day-to-day operation and, adversely, are liable to stunt company growth. It's clear that that adequate support isn't currently

in place, with a colossal 91% of CFOs, Heads of Finance and Finance Directors stating that they are feeling additional pressure as a result of their role evolving.

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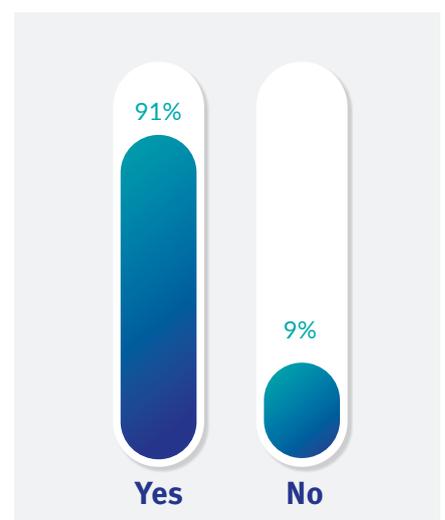


Figure 3: Do you feel that your role evolving has brought you added pressure?

Why are CFOs feeling the pressure in their new roles?

In order to get a better idea of the reasons behind why CFOs and Heads of Finance are feeling the pressure, it's important to understand where the frustrations exist in their day-to-day life.

The top frustration of CFOs was the need to carry out repetitive and manual tasks (33%) followed by the reliance on hard copies of documents or legacy spreadsheets (27%), bottlenecks in the flow of information (26%) and similarly, having access to the latest data in real time (25%).

Other key frustrations were being unable to spend time on strategic tasks (23%), being able to work efficiently when away from the office (23%), the number of silos making it difficult to work collaboratively with colleagues (20%) and a struggle to demonstrate compliance to regulators (19%).

When digging further into the study, there are also some notable trends in terms of seniority and sector. For example, 38% of larger companies (5000+ employees) vs 28% of smaller companies (less than 50 employees) are frustrated by repetitive, manual tasks. This is likely a result of larger organisations needing more rigid processes in place than smaller, potentially more agile organisations.

Unsurprisingly, in-office workers (29%) struggled with a reliance on hard copy documents compared with remote workers (just 14%), an indication that this would have been

an area that needed addressing during the national lockdowns as a result of the pandemic.

An inability to work efficiently when away from the office was felt more by senior finance directors and CFOs (33%) than other finance decision makers (16%). Perhaps this is because of a need to collaborate effectively with colleagues in more senior roles. This is evidenced by 30% of senior financial directors and CFOs stating that they're frustrated about the number of silos and

inability to work collaboratively compared to just 14% of other finance decision makers.

It stands to reason that those in the hospitality sector felt unable to work effectively when away from the office (with 30% complaining of this), due to the nature of the industry, compared with 10% of charity workers.



Figure 4: What are your biggest frustrations about your current role?

The weight of repetitive and manual tasks

If we take a deeper look at the top-rated frustration; the need to carry out repetitive and manual tasks, we may begin to see why this is the case. To delve a little further, the study found out which repetitive and manual tasks CFOs, Heads of finance and finance decision makers were required to carry out.

39% stated invoice approvals, 35% expense claim handling, 33% repeat invoicing, 29% payment runs, 29% purchase invoice processing, 29% payroll, 28% consolidation for reporting and 24% stated debtors management.

Repetitive and manual tasks seem to be indicative of the finance role, with an enormous 91% stating that they need to carry out at least one of the above repetitive tasks as part of their job. But to what extent does this impact their ability to carry out other aspects of their role?

Over half of the respondents (52%) said that they spend 20 hours or more carrying out repetitive and manual tasks – that’s over half of a standard working week of 40 hours. 15% said that they spend between 30-34 hours and shockingly, 7% spend 35 hours or more.



Figure 5: What repetitive tasks do you currently carry out manually as part of your job?

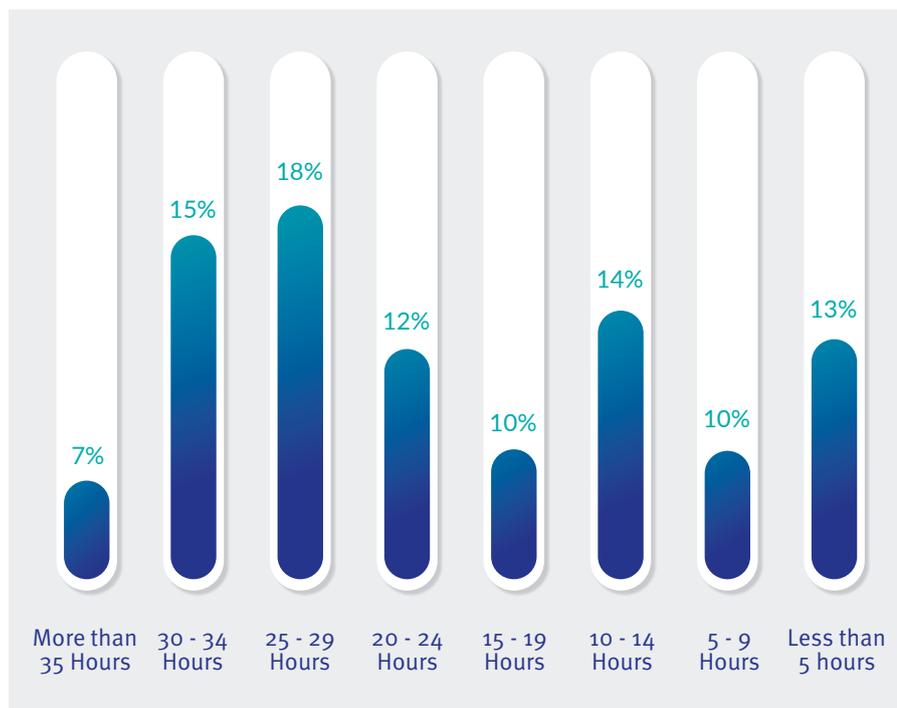


Figure 6: How many hours per week do you spend on repetitive and manual tasks such as payroll and invoicing?

The more senior you are, the more likely you are to be carrying out repetitive tasks, with senior figures averaging 25 hours per week, compared to 15 hours for other finance decision makers.

The results are perhaps a little surprising. The UK's top strategic decision makers are spending up to 25 hours a week on low value-added tasks. It may be that these results highlight not just the stresses of the CFO themselves, but of their whole team, given their inability to delegate these tasks.

Xledger, is a leading mid-market cloud-based technology focussing on automation. With a suite of automation features including OCR, automated purchase invoice and expense handling, reoccurring and professional services billing and in-system payment processes, our

value is giving back time to CFOs and their finance departments, allowing them to spend more time of higher value-added activities.

With such a significant amount of time being spent on these tasks its clear to see the impact that automation could have on such a manual, data-driven role.

The preceding frustrations and seniority differences are vital in informing the current dynamics, behaviours and commitments of the CFO role. It seems we are still in the early stages of this well documented evolution of the CFO and there are some growing pains.

Business growth rarely comes as a by-product of doing more with the same level of resource - unless you factor in technology. When you apply this to the role of the CFO and the

increase in responsibilities being placed on them without increasing the tools or the resource needed to do the job, it's clear how it can affect daily tensions with potential for a severe knock-on effect.

Through a modern-day lens, it's clear to see how many of these frustrations can be alleviated and the CFO role enhanced by the promises of cloud and automation technology.



Figure 7: Average amount of time spent doing repetitive and manual tasks by seniority and sector

Cloud adoption rates

It feels like a natural next step to analyse current rates of cloud adoption within the finance function to find out if this rate has any impact on the way that the CFO and Heads of Finance are carrying out their roles.

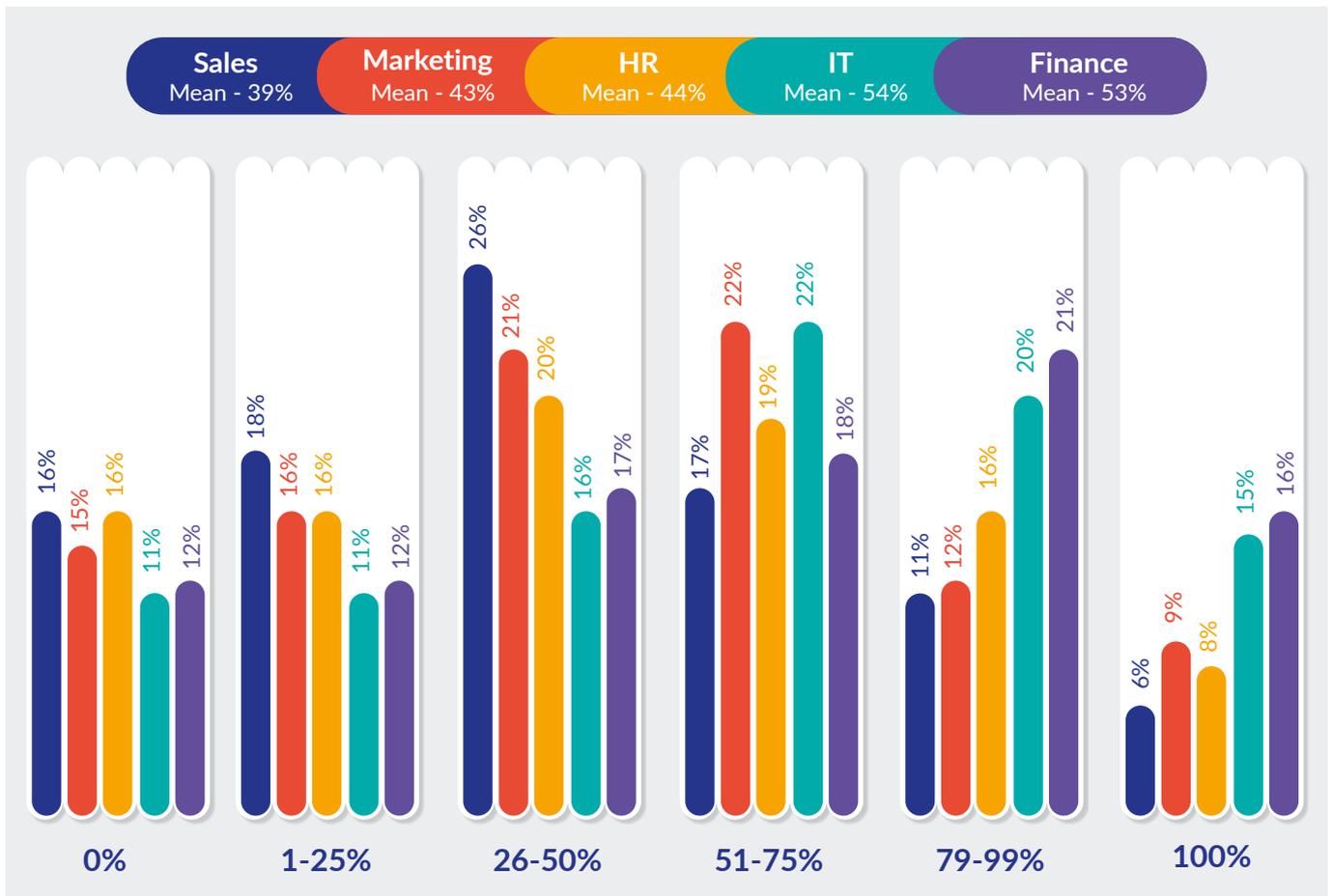


Figure 8: Percentage of services moved to the cloud

The study found that on average, over half of financial services have been moved to the cloud, second only to IT with 54% in the cloud on average.

The education sector appears to have the largest proportion of financial services in the cloud (65%) followed by hospitality and venues (58%) and IT (53%).

The professional services sector has moved exactly half (50%) of its financial services over to the cloud, followed by healthcare which has moved 47%, the energy/utilities sector has moved 41% and charity had moved the lowest amount at 34%.

The finance function is steeped in rich-data which is clearly

still heavily reliant on repetitive human data re-keying, but is ripe for cloud transformation and as a result, stands to be the sector with the most to gain from automation capabilities.

CFOs may still be experiencing typical non-cloud frustrations despite 52% having moved their services to the cloud for a few reasons.

With there being several types of cloud available, true (public) cloud, hybrid and private, perhaps the cloud type of choice is not best serving their needs. “True” cloud finance software is a finance software that was always built and intended for the cloud. Meaning, users can truly benefit from a web-based platform within a shared cloud infrastructure. Compared to other types of cloud software, true cloud software users typically pay less for greater functionality and receive seamless upgrades, so they always have the latest version of the software.

The professional services sector has moved exactly half (50%) of its financial services over to the cloud.

	Sales	Marketing	HR	IT	Finance
Education	48%	53%	57%	57%	65%
Professional services	40%	39%	43%	54%	50%
Hospitality and venues	38%	48%	42%	50%	58%
IT/Technology	42%	46%	45%	63%	53%
Charity/Not-for-profit	21%	20%	30%	39%	34%
Energy/Utilities/Telecoms	31%	30%	31%	47%	41%
Healthcare	20%	34%	35%	56%	47%

Figure 9: Percentage of services moved to the cloud by industry

The ability to forecast

As the amount of data that an organisation produces grows, so too does the challenge to extract meaning from it. To what extent is the finance function currently utilising its data? You only have to look at its ability to forecast accurately.

This was one of the top responsibilities that has increased as the CFO role has evolved, yet more than a third (37%) of finance professionals could only forecast up to three months ahead and 8% could only forecast one month ahead. Only 13% were confident that their financial data would allow them to forecast up to 12 months ahead.

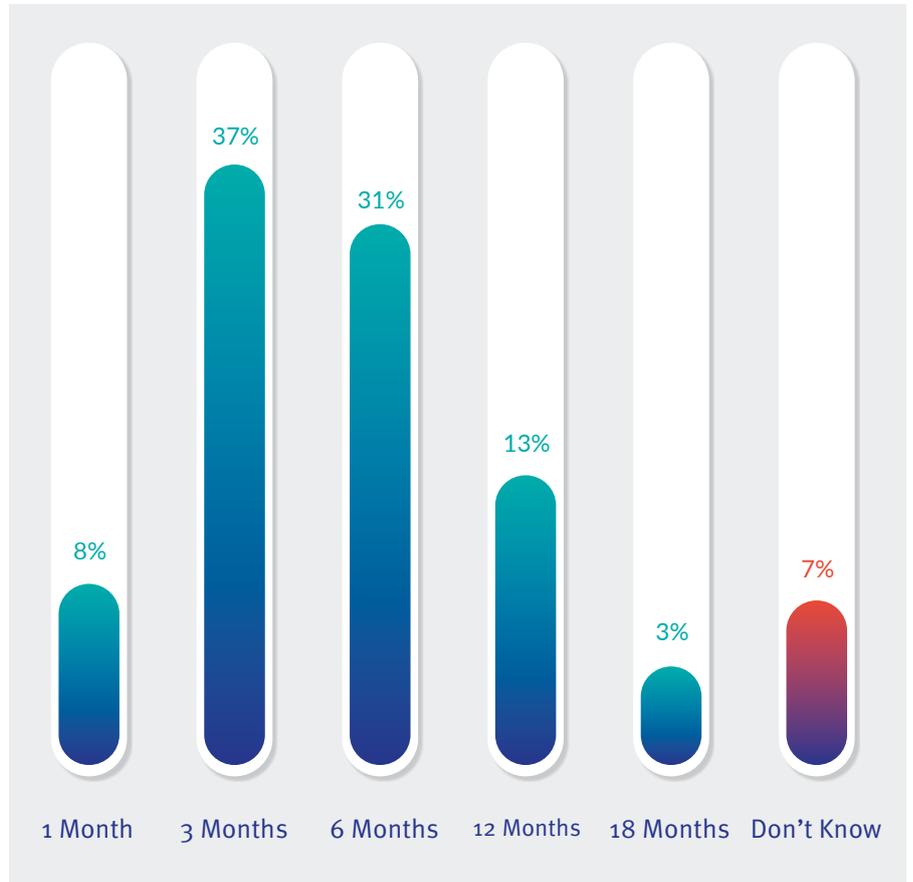


Figure 10: How confident are you in your financial data for forecasting?

Use of tools and technology

The study has illuminated some of the important challenges that need to be overcome for the CFO role to evolve effectively and we have highlighted some of the ways that cloud and automation technologies can tackle these challenges and enhance these roles. Interestingly, 40% of CFOs and Heads of Finance said that they only have control over some of their budget and can afford only a portion of the tools they need.

Yet, conversely, the study also found that the majority of respondents (86%) would agree with the statement ‘my business is utilising the latest technologies that make our working lives easier, streamline business processes and enable me

to take on more of a strategic role to the benefit of the business’.

It seems that awareness amongst finance professionals of the possibilities behind the significant

advances in financial data capture and trend analytics is low. It has been observed that the tendency to want to replicate “how things have always been done” into new systems is a common trend – therefore possibly not always making the best

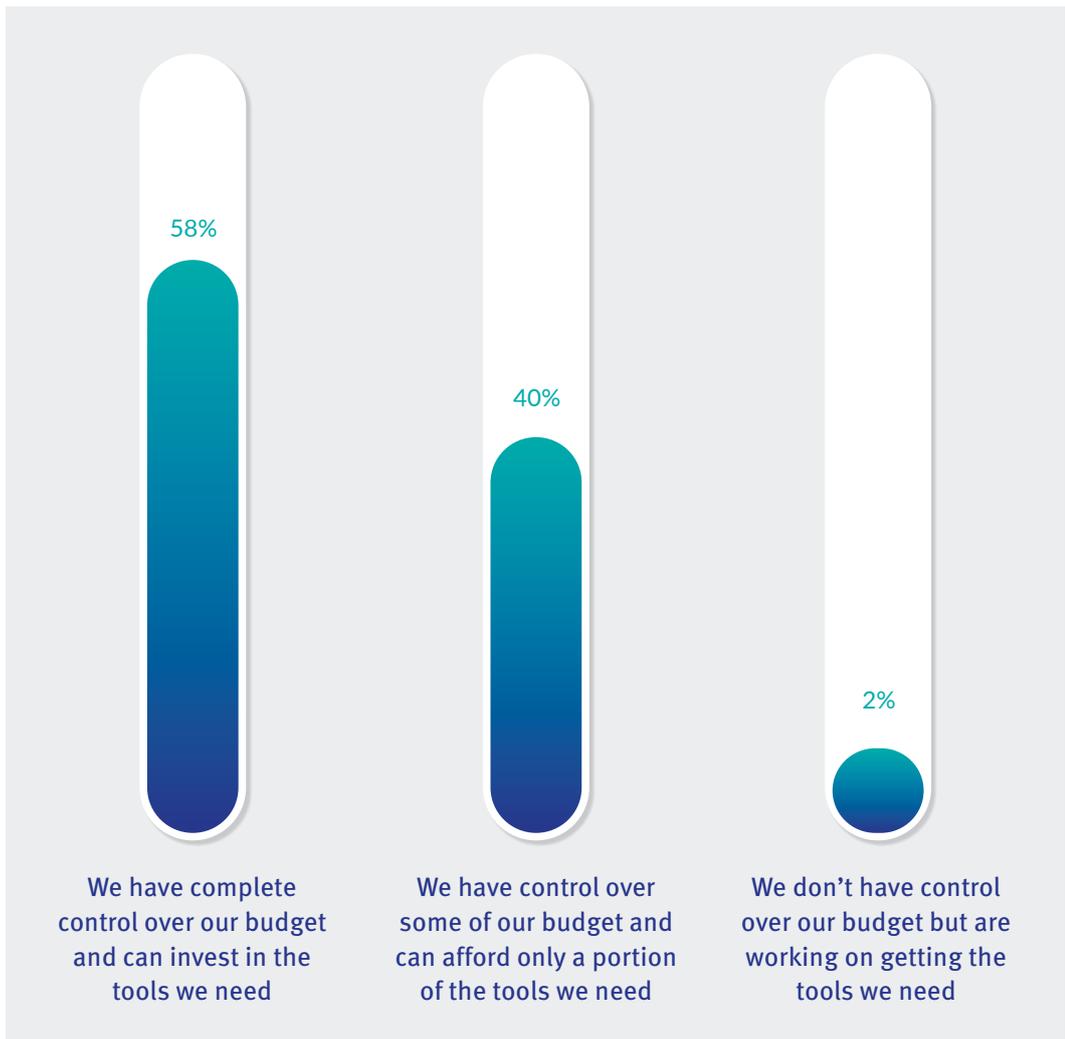


Figure 11: Ability to control budget and invest in technology

use of the functionality within the software available to them.

A good software implementation partner will look at what you are trying to achieve and work with you to suggest the best way for your organisation rather than replicate existing processes.

Of the 15% that disagreed with the statement about their business' ability to utilise the latest technologies, 70% of these said that it is causing bottlenecks within the organisation; a factor that we'd expect to see.

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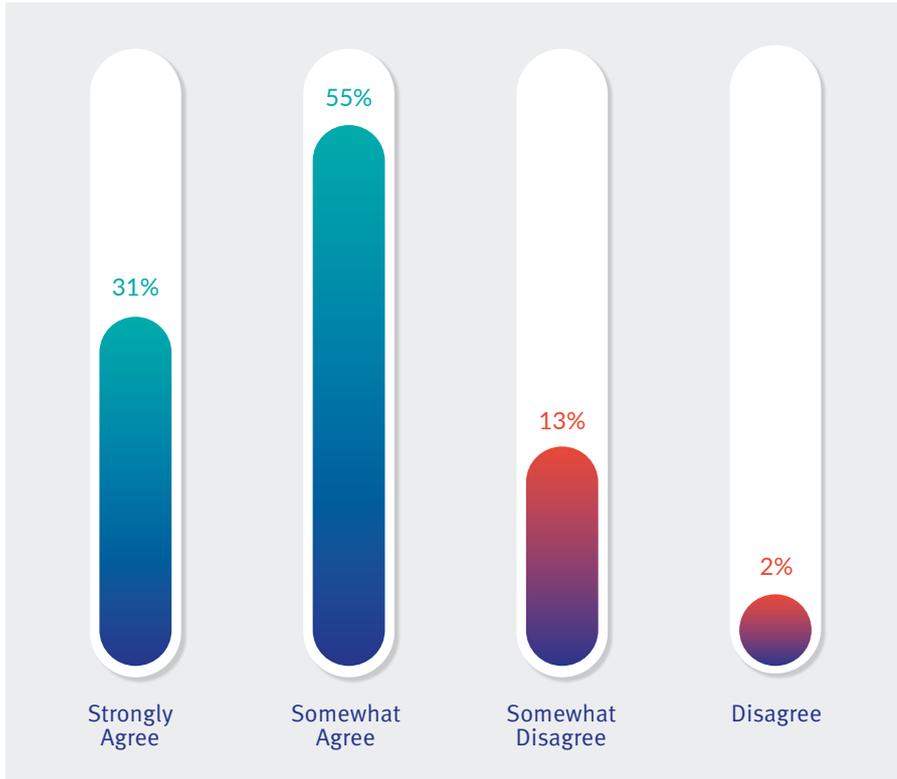


Figure 12: Do you agree with the following statement? ‘My business is utilising the latest technologies that make our working lives easier, streamline business processes and enable me to take on more of a strategic role to the benefit of the business’

The views of senior finance professionals also differ across business sectors in this area. For example, 45% of respondents in the charity sector didn’t agree that their business was using the latest technologies that enabled them to do their roles, followed by 23% in the energy sector and 17% in the healthcare sector.

It seems feelings about company investment in technology was also felt strongly in micro-organisations (less than 25 employees) with 37% disagreeing with the statement about utilising the latest technology to make working lives easier and also in large enterprises (5000+ employee) with 17% disagreeing with the statement.

45% of respondents in the charity sector didn’t agree that their business was using the latest technologies that enabled them to do their roles

Is your current finance solution future-proof?

With the world swiftly moving to agile, automated ways of working, having a solution in place that may work fine for now isn't necessarily sustainable for long-term growth. There is also the factor that changing up a finance solution is a big step and migrating between platforms needs to be carefully managed or it can become a big headache – something that indeed puts some organisations off of moving altogether – which could stunt their growth potential.

66% of respondents were confident that their finance solution would be able to scale with them, yet a significant 34% were not. This rises to 50% of companies with 2000 or more employees, highlighting

that those larger organisations may be relying on legacy on-premise services and are less able to reap the benefits of a finance solution that scales as they grow.

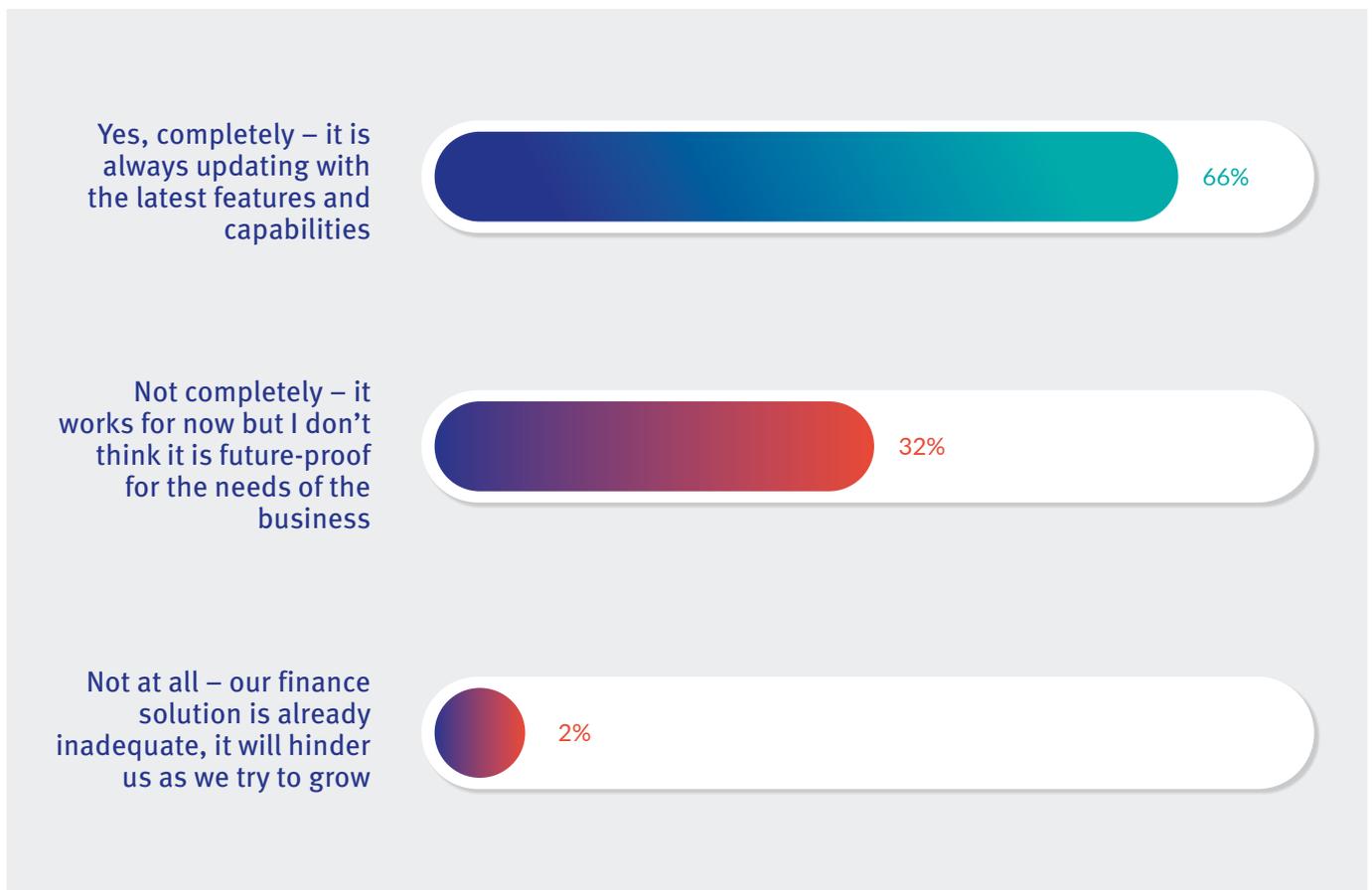


Figure 13: Are you confident that your finance solution will be able to scale with you as a business?



Figure 14: When shortlisting technology vendors, which factor influences your final decision the most?

A high proportion of respondents in the charity sector (68%) and professional services (44%) sector were also not confident that their finance solution could scale with them as a business.

It's not surprising that when choosing a new technology vendor for their finance service, the factors

that influence their decision making the most are around implementation support (with 24% citing this) and ease of migration (23%). These factors even come before brand reputation (with only 16% citing this) and price point (15%).

Conclusion

It's clear that the appetite for turning to technology to ease some of the top frustrations is there with 53% of finance services already moved over to the cloud. As the true capabilities of effective cloud-based finance solutions are realised we should start to see the pressure caused by repetitive and manual tasks, reliance on hard copies and information silos lifted from today's CFOs and finance leads.

The good news is that when asked about being able to effectively control their budget to invest in IT and technology, 58% said that they have complete control over their budget and can invest in the tools they need. 40% said that they have control over some of their budget and can invest in a portion of the tools they need.

A modern, true cloud finance system can enable your business to automate repetitive tasks, give you live insights so you can make informed business decisions and help you scale your business.

Whilst different companies are at different stages in their digital transformation what is clear is keeping up with the latest technology is fundamental to the future success of an organisation.

If you are looking for a finance system or would like more information on the latest technology trends, please get in contact with us at Xledger by emailing mail@xledger.co.uk



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