

E-BOOK

# CFO 3.0 – Digital transformation beyond financial management

*Preparing the finance function in the wake  
of digitisation.*



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# Executive summary

The intersection between technology and human interaction has created an opportunity for leaders to re-imagine business. Fundamentally, the nature of business is evolving in all manner of ways; end users are changing, employees are changing, and the availability of tools is changing. All impact the way work happens and how we construct, organise and operate companies.

Finance heads have, in the past, used their gut to interpret the figures and understand what it means for their business. They had no more to go on other than their intuition and experience. **But data has changed that and altered the dynamics of decision making.**

If we look to start-ups, the impact of technology is clear. Modern breakout businesses use Artificial Intelligence (AI) and automation to enhance connections with their customers and employees. Their 'new age' and tech-first approach looks very different to past business models. They have successfully fused human needs with technology, rethinking the way we conduct business from top to bottom.

In mid-sized and larger companies however, where technology wasn't birthed at inception, the tide is turning. **All business leaders need to move with the times and digitisation is key to the transition.** Knowing where to go, and how to get there, are two very different sides of the same coin. While the burst of e-commerce has brought about many opportunities, its digital nature also brings about concerns of fraud, cybersecurity and the changing landscape of job roles. But behind all these changes is one driver: the finance department. Why? Because the very essence of finance is evolving.

The finance professional now needs to be more closely aligned to individuals with my role, as the company Managing Director or CEO. They are not just the right-hand person with their finger on the financial pulse of the business anymore. They are essential in providing up-to-date information, financial analysis and forecasting for rapid response decisions.

It's a far cry from the traditional way of doing business. Finance professionals used to look in their rear-view mirror to provide business information—always looking behind them whilst trying to steer in front. The introduction of predictive analytics is all about understanding data and looking forward, rather than back.

## Today's CFO is transforming into a real-time analyst. Tomorrow's CFO will be a visionary. This is CFO 3.0.



**Sabby Gill**  
Managing Director  
UK & Ireland, Sage





## Talent and opportunity

The introduction of AI and automation brings with it the opportunity to free talent to focus more on creative and strategic thinking. In effect, it removes the nuts and bolts of the traditional finance function. It enables commercial decision makers to edit the roles across the team. Though it's a change, it is beneficial to all involved. It increases independent thinking, critical analysis and innovation to augment business strategy.

Our report, CFO 3.0 – Digital transformation beyond financial management, looks to the roles and disciplines a CFO will need in the future. The modern CFO will need to be much more versatile—marrying accountancy, analytical, business and strategic-thinking skills into one package.

It will be a rare combination, but the job is no longer just about number crunching. Armed with powerful data, CFOs are poised to be agents for change. Data provides the tools to make accurate analysis and the informed knowledge to make swift and responsible decisions.

Technology is the enabler. **But the extent to which it transforms a business lies with those who are bold, brave and brash enough to take the lead.**

Today the primary driver of digital transformation in mid-size businesses is the finance professional with six in ten financial decision makers driving digital transformation in their businesses.



# *Driving digitalisation— from historian to visionary*

## Leading the charge

In many cases, the need for improved financial management processes is the catalyst for digitisation. Today, the finance professional is leading the charge with six out of ten financial decision makers driving digital transformation in their businesses.

The role of the financial leader is much more than traditional reporting and accounting. Indeed, 94% of financial decision makers stated their role has expanded over the last five years and it is no longer just about fiscal responsibility. Of those who tended to strongly agree, 60% were medium-sized businesses based in London (65%).

Financial decision makers used to report on the financial status of an organisation by looking at past performance. Today's financial decision makers have better data tools at their disposal. They are now real-time and predictive analysts. Immediate data access, different information sources, and advanced analytics allows finance leaders to quickly determine the immediate and mid-term commercial opportunities for the business. This allows businesses to adapt faster, take opportunities, and effectively manage operations.

The evolution of the CFO means they now have an integral role in data governance, data flow and cybersecurity. This leads into more performance analysis and innovating the business model. This new remit will become key to unearthing new commercial opportunities.

**Over three quarters (78%) of finance leaders agree that if emerging technology is going to be transformational, they need the knowledge and resources for a successful deployment.**

This includes equipping finance leaders with the skills both essential to the future of their department and imperative to the changing industry.

The task for the next generation of financial leaders, CFO 3.0, is to manage a new landscape. In order for everyone to benefit, finance leaders will need the training and manpower to lead the charge within their own organisations.

**51% say thinking of new ways to help the business with financial matters is the most challenging aspect of their job.**



# *Managing uncertainty— the evolution of finance*

## Evolving the finance function

In the 21st century, everything is—or soon will be—digital. Digital will control everything—from buying groceries and clothes, to the way we consume information, to how we change the oil in our car. It is a radical change over previous methods. No wonder that it is also transforming our workforce, our job roles and our organisations. Whole industries are being sculpted in preparation for a new tomorrow that will empower companies to do business in a different way.

The research demonstrates that e-commerce is critical to integrating front and back office processes. According to 65% of finance leaders, it's the only way to maintain commercial control in the face of digitisation. Retail is leading the way in digital innovation and is making some of the biggest changes—in the form of the online shopping revolution. But it's not so much about going into a store or buying online; it's actually about the buying experience, how innovative it is regardless of the point of purchase.

In-store, customers want an efficient service that is similar to the accessibility offered by online shopping. Traditional brick and mortar stores are carving a niche by providing personalised services, such as footwear you can design and print in-store.



Or they offer a click and collect service so customers can order online and then pick up in store at their convenience. It's levelling the playing field between online shopping and the physical in-store experience.

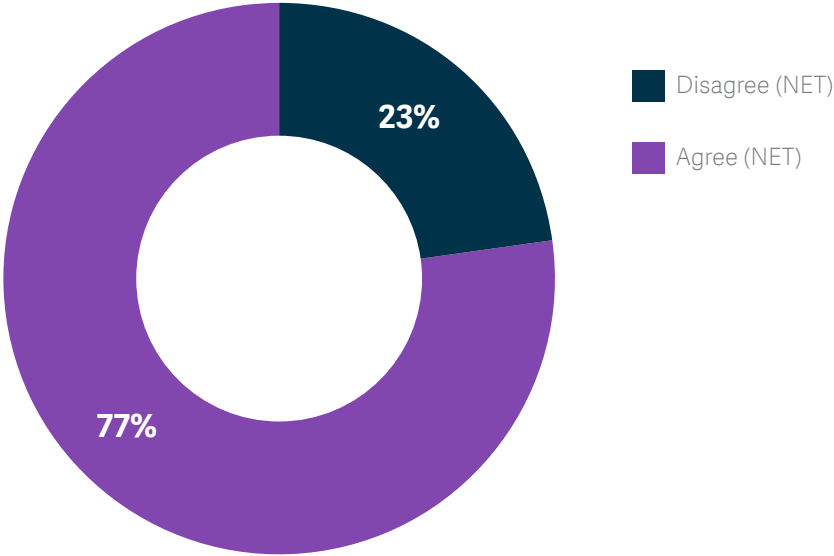
To achieve top-level visibility of business performance, it's imperative that finance teams have the tools and flexibility befitting the fast-paced, always-on era. Only then can they dovetail with all other facets of the business and collaborate as growth occurs.

Digitisation is a versatile tool. It provides advanced analytics to improve decision making, automation to improve processes, and metrics for improved real-time financial information. Increased efficiency provides valuable insight into business operations to uncover growth opportunities. But even with all of the obvious benefits, CFOs remain reluctant to own the digitisation journey. They have become both the gatekeepers and king-makers to digitisation.

CFOs must embrace their roles as leaders of emerging technology. They must take their place on the boardroom table. Companies that do could witness a surge in progression that reverberates across the business. Failing to do that means financial decision makers risk being left in the slow lane.

**77% will be unable to provide insights if they do not invest in financial management technology.**

**Other members of staff within my organisation are demanding insights from the finance team that we will not be able to provide if we do not invest in new financial management technology.**





# Business burdens—what’s worrying finance leaders?

So, what exactly is holding senior financial decision makers back? There are numerous pain points. They have an ever-expanding role to master—new data, technologies and managing employee and stakeholder expectations—to name but a few. They are understandably concerned about how to bed down into their new function. Indeed, over two thirds (70%) of CFOs have full responsibility for digital transformation, a relatively new responsibility in their command.

Cybersecurity and fraud still remain the number one challenge in the UK. This was a concern felt by as many as 62% of financial leaders in London. In the face of increasing cybersecurity attacks, it’s no surprise this is a priority.

Fraud, cyber misuse, and data privacy protection now increasingly fall under the remit of the finance function and the CFO. What financial decision makers don’t always realise is that emerging technologies actually decrease the risk of data breaches. Utilising the cloud creates enhanced levels of verification, securing data in a more comprehensive way.

**95% say that their role has significantly changed over the last five years.**

Delivering data driven insights is another worry that keeps financial decision makers awake at night. Over three quarters (78%) view technology literacy skills as essential to the future of their department, increasing to 86% in the financial sector. More specifically, up to 31% are concerned about their lack of digital skills. The digitisation skills gap is felt keenly amongst finance professionals, especially with their enhanced responsibilities. As such, two thirds of CFOs (70%) still make decisions based on gut feel rather than data.

Skills training is undoubtedly a factor for most CFOs. The mantra of lifelong learning is never more relevant when it applies to the changing dynamics of their job. They need a full complement of business, analytical and data skills in order to stay equipped for their job.

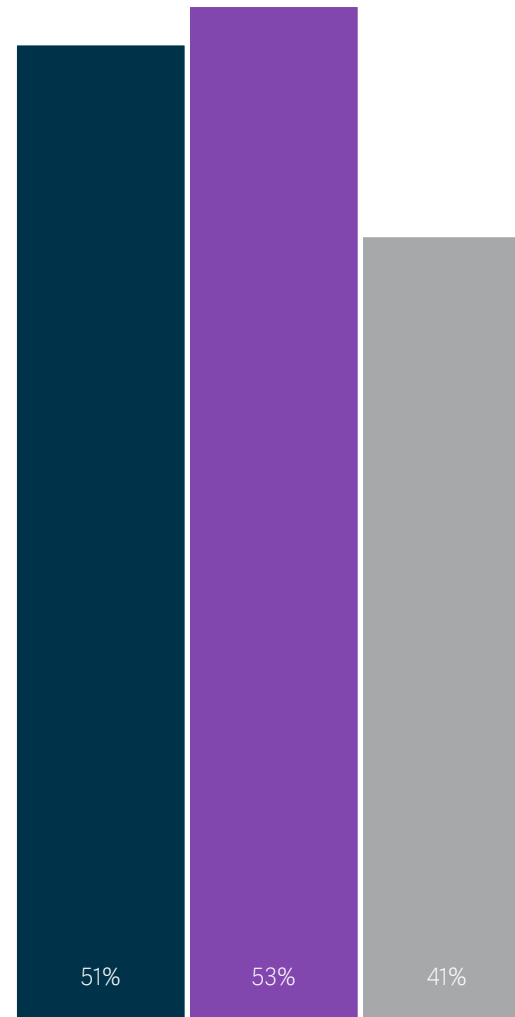
The need to harvest data rests squarely on their shoulders—so there is an increasing requirement for them to upskill in order to utilise digital tools and cloud-based services. The change must not be underestimated but with the right systems and skills in place, finance teams will be able to operate more strategically to drive the business forward.



# Expanding finance with technology

## The most difficult aspects of the job for financial decision makers are:

- Thinking of new ways to help the business with financial matters
- The lack of real-time financial insights and data available
- Integrating financial and operational information



Today, it is crucial that finance leaders are well equipped to lead digital change in their organisations. Investment in a trusted financial management platform is core to the movement of money and data within their organisation.

Digitisation holds great hopes for financial decision makers. However, in practice decision makers are spending just as much time collecting and preparing data as they are analysing it, due to a lack of automation and unwieldy legacy systems. This half-hearted approach to data collection is limiting overall productivity. As a result, **70% of CFOs agree that administration has a significant negative impact on team productivity.** Investing in new technology to drive efficiency improvements is one of the top aims for businesses. As such, new financial management technology is a priority for 86% of in-house financial decision makers.

Essentially, future-proofing the financial industry is going to require technology innovations to provide even more automation. Businesses understand the impact financial management technology has in enhancing productivity—more than nine in ten (94%) agree that it will play a crucial role in tomorrow's finance function. Beyond the benefit for the finance department, it will also lay the foundation for better use of critical data and insights that can be utilised across the organisation.

Business leaders are aware of the benefits of the cloud through centralisation such as increased cost efficiencies, flexibility, integration and security. So, it is no wonder the next phase in financial technology further embraces the cloud-based financial management technology for empowering business. However, despite the obvious benefits, the cost to switch to the cloud is proving to be an acute barrier to adoption for mid- and small-sized companies.

### Cloud technologies help to create a nimbler and more cost-effective finance function.

It minimises the need for hardware and storage, providing more scalable and easily automated processes. Yet, the wider consideration for CFOs is how cloud technology fits within their existing business infrastructures. This is where financial decision makers can be most effective. They can enable a connected operating environment that provides greater automation and advances in real-time insights.

# Riding the technology wave

## Withstanding imminent challenges

Technology is key to building a finance function capable of withstanding future challenges.

The changing legislative environment is the top concern for business leaders—Brexit is just one recent example that has had an impact on thousands of businesses. The indecision in the UK about the future landscape has led to an uncertainty affecting both individuals and businesses. **The financial industry is no exception with 45% of finance leaders expecting Brexit to increase the cost of goods, services and tariffs, in addition to producing an increased regulatory burden (44%).**

‘Data deluge’ is a well-used buzz term but it is also rooted in reality. Finance departments are often recipients of masses of data. In the coming months and years, financial experts will focus on honing those management processes via data flow, data governance and analytical insights.

Where there are clients, there will always be challenges. Connected clients will expect their accountant to be a trusted partner, an extension of their business. They will expect their financial companion to have a real-time view of their business and to be able to interact with financial professionals almost instantly.

The existing talent gap is another area where finance struggles. Qualified accountancy candidates are in high demand and difficult to find. However, when you add digitisation into the mix, there is a whole new set of skill requirements that come into play, with technological literacy topping the list. **At the same time, there is unease from financial decision makers who worry automation may replace their jobs (61%).**

Finance maybe needs to rethink its traditional mindset. Rather than recruit finance professionals and try and upskill them with IT and data knowledge, they may need to look at non-traditional avenues. It may be easier to recruit data scientists and provide them with financial training. The skill-set should be closely aligned to allow an easy transition and may also bring new blood and much needed diversity into the profession.

Despite the challenges facing financial decision makers, the future is bright. Emerging technologies, such as automation and artificial intelligence are set to support the finance function throughout the digital transformation phase. This includes the creation of new jobs that will enhance the quality of working life. Half of all respondents in the report (50%) agreed that emerging technologies will positively impact efficiency and accuracy. The greatest effects will be on data governance (48%), strategic and financial planning (48%) and efficiencies (47%).





Companies are receptive to the development, with three quarters (75%) of businesses already in the transformation of automating most of their processes. In London, that figure increases to 91%. It shifts the burden of onerous, repetitive, simple tasks from man to machine, ensuring efficiency and quality in one fell swoop. Critically, 86% claim automation has already improved business productivity, illustrating the demand for streamlined processes.

Emerging technologies will help to remove elements of risk—counteracting some of the most imminent challenges faced by finance professionals. Implemented and managed in the right way, these new tools and systems will help modern-day enterprises to drive efficiency and deliver a richer, more fulfilling professional experience for everyone involved.

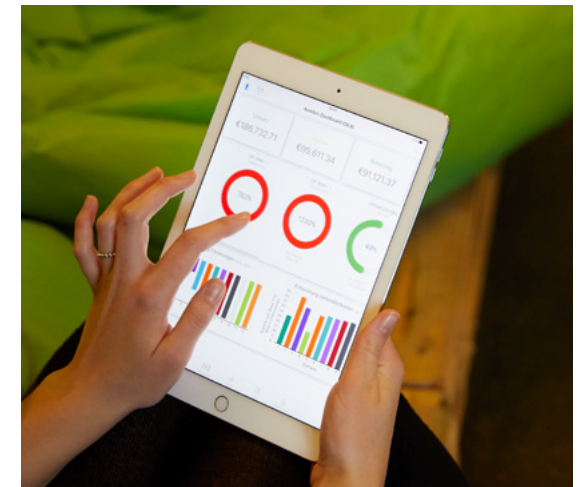
**“Connected clients will expect their accountant to be a trusted partner, an extension of their business.”**

# Humans and tech working in harmony

Although 87% are comfortable with using automation for daily accounting tasks, two thirds (63%) believe their businesses are not yet culturally ready for more automation. Evolving from a traditional management style that relied on intuition, to a more contemporary one based on data-driven evidence, can be a culturally disruptive process. It seems the influence of new technology, albeit useful, is still being scrutinised.

Employees are still hesitant and are yet to wholly embrace technological developments. For finance leaders, it is imperative to involve the team in detailing a new automation strategy. All parties can agree on what can and should be automated up front. It helps to take them through the process, so the team are developing and upskilling together, rather than a top-down change. **Indeed, 93% believe that the introduction of new technology needs a detailed implementation and roll-out plan to ensure it carefully aligns with the culture of an organisation.**

The reluctance to further adopt technology may be down to more than just culture. Amid growing use of technology within businesses, six in ten are worried about the extent to which their role will be automated in the future. For businesses to get the most from technology there needs to be an alignment between the business strategy and the business culture. Emerging technology is designed to empower a business, not to subjugate it. This must be communicated to the people expected to manage it. Outlining the business strategy as a culture based on people-first awareness goes a long way to minimising the perceived threat technology has on the workplace. Ultimately, people create culture. So, the needs of the workforce must align with the corporate strategy in order to thrive.



# Shaping strategy

Since the technology boom, finance has evolved faster than at any other time in its history. Today, financial decision makers are accountable for more than just numbers, with 55% now responsible for data privacy, digitalisation and technology investment.

This shift lays the foundation for financial decision makers to further add-value, enabling them to help shape the strategy of the finance function, and eventually the business, through the use of data insights and analytics. Whether the growth strategy is underpinned by increased market penetration, expanding to new markets, or introducing new products and services, the insights from technology can be leveraged to support expansion efforts at various levels.

Shaping the strategy is akin to shaping the business, and tomorrow's senior financial decision makers will be the visionaries. They will be responsible for predicting the direction of the business, uncovering hidden opportunities and closing gaps within an organisation that is increasingly data and insights driven. As such, every business is making significant investments in digital platforms, tools and systems to evolve their capabilities and sharpen their gaze on business priorities.

**“Whether the growth strategy is underpinned by increased market penetration, expanding to new markets, or introducing new products and services, the insights from technology can be leveraged to support expansion efforts at various levels.”**





# Conclusion

Finance leaders have accepted that a digital-first agenda is no longer optional, it's now an indispensable requirement for accelerating business growth. From fintech and blockchain to encryption and the cloud, digital technology is taking finance in a new direction. To what extent though, will depend on the ability of the CFO to harness its benefits.

## Change, not a takeover

Change is often treated with an element of scepticism. With technology acting as an influential pacemaker, it is understandable that those working alongside it will experience some trepidation. However, technology should be viewed as an enabler and provider to the human function. It's about freeing up talent to focus on high value activities, uncovering hidden business opportunities and mitigating risks.

In order for companies to thrive in this new environment, they must put their people first. Sharing knowledge and timelines on strategic developments and explaining the significance of these changes will go a long way to alleviating a fear of the unknown. If organisations can rally its most valuable asset, they will be well positioned for the only takeover that matters—market takeover.

# Data-first for a new era

In a data-first world, finance leaders will harness artificial intelligence, automation and cloud computing to move finance and accountancy into a new era.

For today's financiers, data is key to competitive advantage but using tools will only unlock limited value. In addition to the adoption of emerging technology, future financial decision makers will need to become real-time analysts to translate raw data into actionable insight within data-driven organisations.

As the CFO leads the way in driving digital transformation, they'll redefine the finance function to play a bigger role in data governance, data flow, cybersecurity and other business priorities. Financial evolution is crucial as part of an enterprise level digital transformation strategy from the word go.

For the future financial decision maker to move from historian to visionary, they will have to acknowledge their role in delivering and shaping company strategies in an increasingly disruptive landscape. The responsibility for digital transformation is no small feat. But provided the right culture and technology is in place, there is every possibility we'll herald finance leaders as the visionaries of the future.

**Welcome to the age of CFO 3.0.**







# Our approach

## **Methodology:**

- Interviewed 500 UK respondents
- 10-minute online quantitative survey

## **Respondents:**

- Senior in-house financial decision makers based in the UK

## **Fieldwork dates:**

- Interviews ran from 19 August 2019 to 13 September 2019

## **Audience:**

- CFOs / senior accountants who make company financial decisions
- May have full or partial responsibility for business accounting software platforms
- Business size 20-250 with revenue £3mn-£500mn
- Mid-Market, 250-999 with revenue £3mn-£500mn
- Services industry in general, with four broad verticals:
  - Financial Services—Wealth & Asset Management
  - Hospitality—Restaurant, pub, hotel, gym
  - SaaS—subscription model business
  - Secondary focus; Professional Services & NFP





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