

WHITEPAPER

# CFO 3.0 – Digital Transformation beyond Financial Management

*Uncovering the gap between the perceptions and reality of digitalisation in finance.*



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The CFO 3.0 is expected to be a visionary, using and analysing data to predict the future direction of the organisation, uncover hidden opportunities and close information gaps.



# Executive summary

Kerry Agiasotis, Executive Vice President, APAC, Sage

“A heady mix of technological and social forces are changing the rules of business, forcing organisations to rethink and often reimagine how they survive and then thrive in this digital era. This new landscape of fast paced, digitally driven business is resulting in new problems that traditional approaches simply cannot address. These problems reach far beyond traditional concerns of continuously improving how work is done, to focusing on delivering outcomes for customers in the way they expect, which requires new insights and ways of operating.

Regardless of the size of an organisation, customer expectations of how products and services are delivered is by far the biggest disruptor. As consumers, the highly interactive and engaging experiences that retailers and service providers are delivering through new and emerging technology is satisfying our increasing need for instantaneous gratification and personalisation. These new expectations are causing a massive shift in our expectations of the workplace, which are mostly unmet due to processes and legacy systems that cannot deliver the same levels of user experience and speed of outcomes.

While technological advancements have improved the ability to optimise internal business processes, the real muscle is in its ability to be integrated and co-ordinated across the entire ecosystem of a business. Whether it's helping to deliver personalised products or services, engaging customers 24x7 globally, automatically detecting risk or fraud or proactively identifying new growth opportunities, these technologies have the power to transform businesses.

Today's major challenge for businesses is, therefore, selecting the right technical foundation, which when considering the integrated nature of customer interactions and financial transactions, is increasingly forcing finance teams into the spotlight.

Though they may not entirely realise it, CFOs have a new mandate, to move beyond their traditional roles and lead companies into the new frontier. A frontier made up of seemingly endless possibilities, which are now made visible through the vast amounts of data made available by a newly connected and digitalised world.

While today's CFOs have been tasked with analysing the past, tomorrow's CFO is expected to be a visionary, using and analysing data to predict the future direction of the organisation, uncover hidden opportunities and close information gaps. As the gatekeepers of data and analytics, the CFO of tomorrow will drive digital transformation throughout its business.

In this paper, we identify the top pain points for finance function in their quest to grow and maintain a competitive advantage, including managing expectations around technology adoption demanded by millennials within their workplace and closing resourcing gaps in an industry which is increasingly data and insights-driven.

We will also gauge the impact of digital transformation on small and mid-sized organisations, compounded by accelerated advances in cloud computing, big data management and Artificial Intelligence (AI), fostering further understanding of how the role of the CFO moves from 'historian' to 'visionary', whilst playing a larger role in leading the digitalisation of growing businesses.

Armed with powerful data, the right tools to make accurate analysis and the backing of the business to make swift and responsible decisions, CFOs are poised to be agents for change. Technology is an enabler, but the extent to which it transforms a business lies with those who are prepared to take the lead.”

# Our approach

## Methodology

- Online quantitative survey
- 10-minute questionnaire
- Australia only

## Respondents

- N=204 interviews with financial decision makers
- N=165 small business in-house finance decision makers

### Business type

- N=90 Small
- N=75 Mid-market

### Service industry

- N=87 Prof, Scientific & Tech services
- N=42 Finance, Insurance, Real Estate
- N=15 Healthcare and NFP
- N=5 Hospitality
- N=16 Other service-based industries
- N=39 Management consultants

## Fieldwork dates

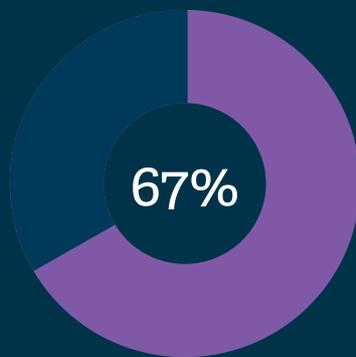
- 11<sup>th</sup> - 23<sup>rd</sup> July 2019

## Audience: Finance decision makers

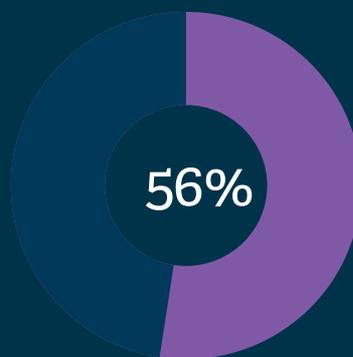
- Finance decision makers
  - CFO, Financial Director, Accountant, Financial Controller
  - Due to recruitment challenges, Business Owners and Management Consultants were invited to participate
- May have full or partial responsibility for business accounting and financial management software platforms
- Business size 20-499:
  - **Small**, 20-99 employees, revenue more than AUD \$5M
  - **Mid-Market**, 100-499 employees, revenue more than AUD \$50M
  - And, **accounting management consultants** who advise small and mid-market business on technology matters
- All respondents worked in the services industry, and were employed full-time, part-time or on a contract basis.

# Beyond the bottom line – forces driving industry change

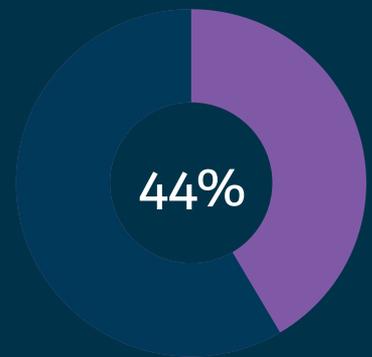
Almost all (93%) finance professionals surveyed agree their role has changed over the past five years. Of these, 67% agree they're expected to be business advisors rather than number crunchers. More than half (56%) of the respondents agree that this change in expectation is a direct cause of the digitalisation of the industry and 44% attribute this change to the rise of a new generation of accountants coming into the workforce.



Finance professionals are becoming business advisors rather than number crunchers



Digitalisation of the industry



New generation of accountants coming into the workforce

# Digitalisation of the industry

The digitalisation of the finance industry isn't just having a profound impact on the sector alone; it's fundamentally changing how business is conducted in its entirety. The business model is being transformed by the evolution of the connected business, the growing accessibility of technology and shifting consumer expectations. One of the biggest challenges faced by organisations today is their ability to harness the transformative opportunities offered by digitalisation, in order to meet changing customer expectations and remain relevant. In an era where everything is moving rapidly, businesses who do not adapt and become more agile, will fall behind.

**93%** of finance professionals state the role of the CFO has changed in the last five years.

Some sources suggest that over 50% of businesses have just started or are planning to introduce a digital transformation program into their organisation within the next two years. In Australia, this means that over 1.15 million businesses are actively seeking ways to improve the efficiency and agility of their organisation through data-driven insights and automation.<sup>1</sup>

The urgency around implementing transformation programs largely extends from increasing expectations around responsiveness and personalisation that cloud technology can provide. For some time now, less innovative members of the B2C space have struggled to meet the expectations of modern consumers. Technology platforms like Uber, Amazon, Alexa and Netflix are making things more connected and responsive than ever before and consumers now have access to information at the touch of a button or by simply saying, 'Hey Siri.'

Today, this is spilling into the B2B space and putting pressure on organisations to perform for the end customer. Until recently, the B2B sector has remained largely protected from the seismic shifts in customer expectations witnessed in the B2C space. However, the digital economy has blurred traditional industry boundaries, with old distinctions between products and services companies breaking down. Businesses of all sizes are adopting innovative digital supply chains to create new revenue streams and remain competitive. This shift has also placed pressure on internal processes and procedures, creating complex new administrative demands around the way revenue is recognised.

**56%** attribute this change to the digitalisation of the industry.

<sup>1</sup> Managing digital marketing in 2019 research report. <https://www.smartinsights.com/guides/managing-digital-marketing-2019/>

# Number cruncher to business strategist

Particularly for growing organisations, often the first investment it makes in order to professionalise its processes and gain efficiency and accuracy is in the area of financial management - building out the technology that the finance function needs to be successful before an IT function exists. This inadvertently thrust the Finance function into the limelight and hot-seat in leading digital transformation for their organisation and redefining their roles in the process.

As evidenced in the survey, 67% of finance decision makers agree that their role is transforming from number cruncher to business strategist.

Whether they realise it or not, CFOs have a new mandate, to move beyond their traditional roles of analysing past performance, and lead organisations into the new frontier where they're gatekeepers to a vast amount of data and analytics made available through a newly connected and digitalised world.

72% of finance professionals surveyed indicated they are using cloud-based financial technology as a means of driving operational efficiency. Making the conscious decision to unify an entire organisation around a single platform provides CFOs with the currency that many disruptors of today trade upon – data.

Armed with the insights data affords, CFOs can create a vision for the future and plan for it. CEOs and boards are now looking to CFOs to guide the organisation into an uncertain future, providing strategic direction on digital spending, managing risks, imposing governance and responding to regulatory change.

As the CFO leads the way in driving digital transformation, the finance function will be redefined and expected to play a bigger role in data governance, data flow, cyber security and other business priorities.



**67% say they're becoming strategists rather than number crunchers.**

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63% of survey respondents agree the amount of time spent on financial administration has negatively impacted productivity within their finance teams.



# *Millennials driving digital transformation*

With the clash of the baby boomers and the millennials well under way, a new generation of accountants are placing greater pressure on the evolution of the finance function. With millennials preferencing tech-based solutions, quick turnarounds and multi-tasking, 54% of these 'new breed' accountants implemented cloud-based technology three to four years ago, while the same percentage of senior finance professionals only acquired cloud-based systems in the past two years.

## Senior finance professionals are lagging behind millennials in adopting fin tech in the workplace.

While millennials might be perceived to proactively drive digital transformation than their more senior counterparts, "thinking of new ways to help the business" was identified as a major concern across both groups (at 69%). In addition, 64% of those surveyed agree that integrating financial and operational information proved challenging, and 62% cite difficulties in aggregating information across the organisation.

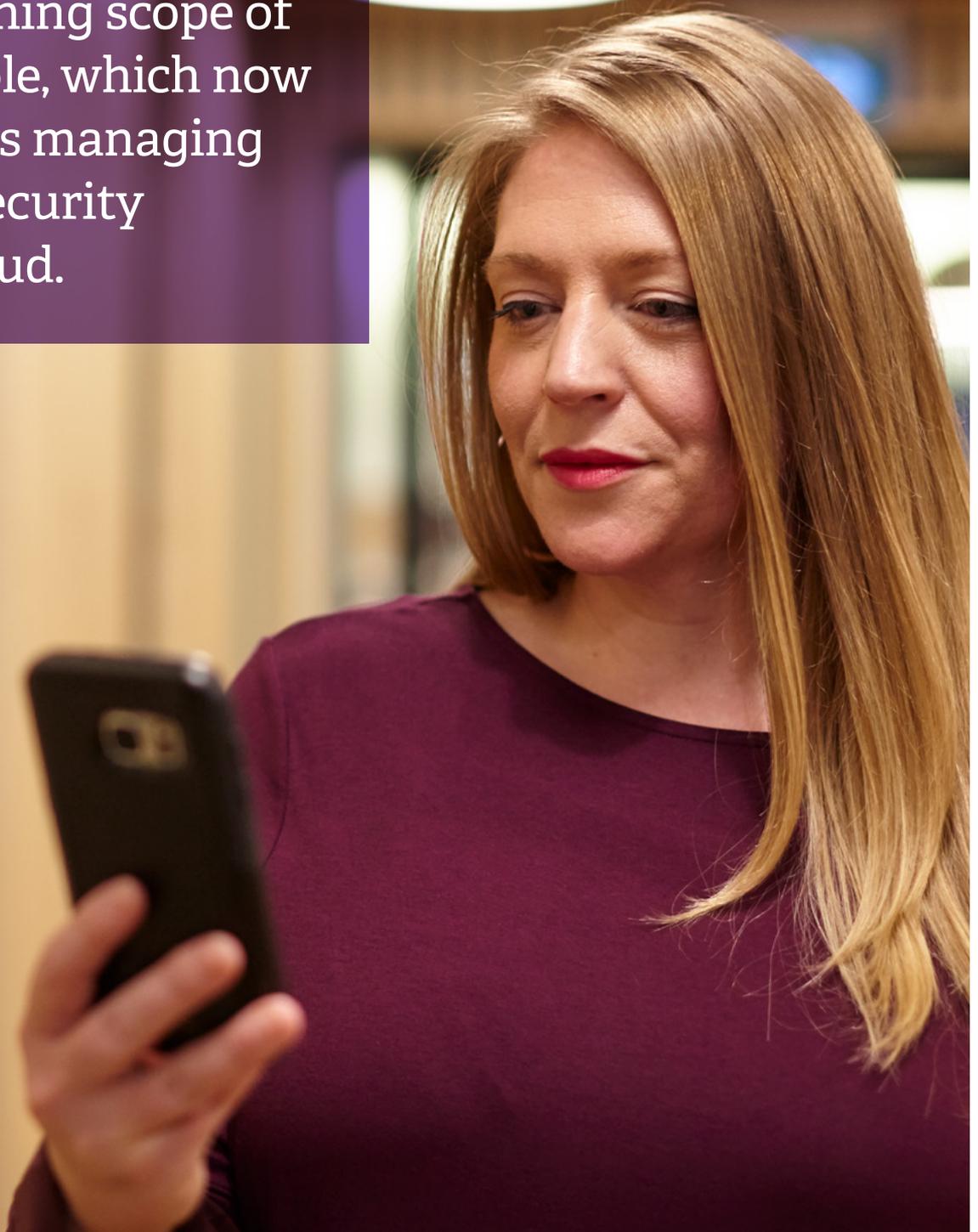
Despite these concerns, only 24% of finance professionals' time is spent on proactive insight-generating activities<sup>2</sup> due to the burden of administrative duties.

In fact, 63% of survey respondents agree the amount of time spent on financial administration has negatively impacted productivity within their finance teams.

This is a burden that needs to be addressed as the CFO's role evolves to become that of a business strategist capable of predicting future business direction and uncovering hidden opportunities to drive their organisations forward.

<sup>2</sup> PWC. (2019). Stepping up: How finance functions are transforming to drive business results. [online] Available at: <https://www.pwc.com.au/consulting/assets/finance-effectiveness-benchmark-2017.pdf> [Accessed 4 Aug. 2019].

73% of respondents are struggling to adapt to the broadening scope of their role, which now includes managing cybersecurity and fraud.



# What's keeping CFOs up at night – roadblocks to digital transformation

Though CFOs are well positioned to drive digital transformation within their organisation, there are several obstacles on the road to achieving this. 73% of respondents are struggling to adapt to the broadening scope of their role, which now includes managing cybersecurity and fraud, maximising the potential of new technologies and finding the right talent with the digital skills required. These are all challenges that have come into effect as a direct result of digitalisation

## Roadblocks to digital transformation



# Harnessing technology

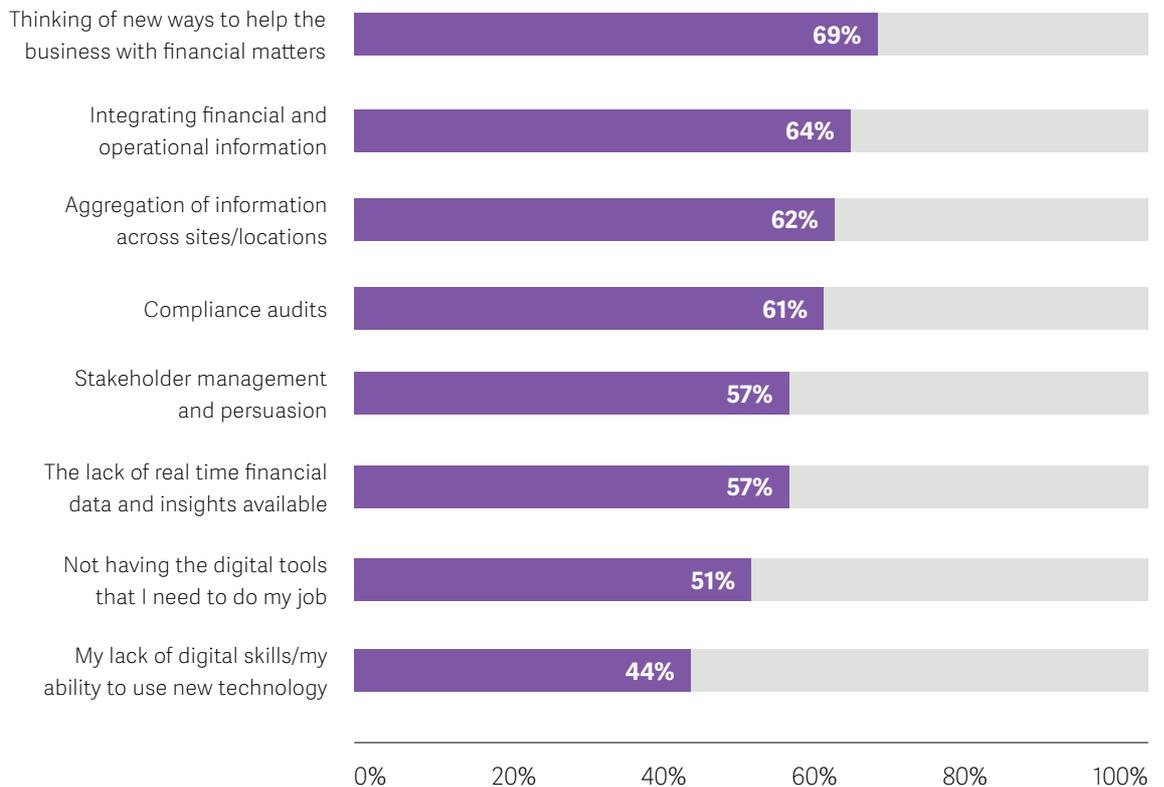
When asked about the challenges they face in their day-to-day role, 64% of finance professionals agree harnessing technology to modernise business processes is a major concern. When you think about the potential for a CFO to drive transformation within their business, this is an undeniable roadblock for the CFO in achieving strategic success.

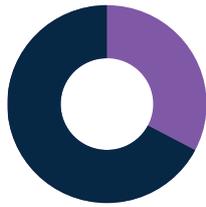
## Current challenges in role

### The most challenging job aspect is 'thinking of new ways to help business with financial matters'

The top three aspects of their job that finance professionals find challenging are as follows:

- 69% agree thinking of new ways to help the business with financial matters
- 64% agree integrating financial and operational information
- 62% agree aggregation of information across sites/locations





## Only 35% of respondents strongly agree that they're drivers of business transformation.

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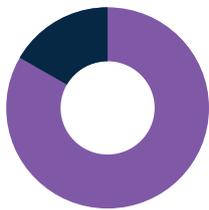
As a result, only 35% of leading finance decision makers wholeheartedly see themselves as key drivers of overall business transformation. This is thought-provoking considering our research also shows that 50% of finance professionals believe they are responsible for driving digital transformation. This implies that a portion of decision makers who see themselves as responsible for digital transformation do not in fact recognise its capacity to drive overall business transformation.

Furthermore 72% of CFOs said that they use cloud-based financial management technology, which when considering only a minority see themselves as drivers of business change, indicates that a large portion of recent investments in new cloud financial technologies were not done with the view of driving broader business change. This is partly due to a lack of understanding concerning current technologies and their ability to deliver transformative change – particularly among older finance professionals. Our survey found that 60% of older finance professionals believe there is a chasm between the perceived benefits and reality of automated technology.



# Talent gap

As digitalisation continues to accelerate and the skill requirements for finance professionals evolve, it's becoming increasingly difficult for CFOs to attract and retain the right talent. 74% of finance decision makers agree that attracting talent is one of the key challenges they face today. Without the right talent, CFOs and their teams will struggle to harness technology and leverage its transformative power within their organisations.



**86% agree that CFOs play a larger role in complex data analytics.**

As the role of the CFO adapts to accommodate technological and cultural shifts, so too must the talent. 72% of organisations are already using cloud-based financial management technology and this is only set to increase as more businesses are taking the plunge to digitally transform. Furthermore, 86% of respondents agree that CFOs now play a larger role in complex data analytics. With automation eliminating most of the administrative functions of the finance role, increasingly finance professionals are required to operate as quasi data scientists, learning to recognise exceptions and draw insights from data.

Since the ability for CFOs to harvest data is reliant on digital tools and cloud-based services, there is an increasing requirement for them to upskill in this new digital world. However, our study found 48% of those who haven't adopted cloud-based technology, identify "having to learn new skills or systems" as a major cause of resistance. Perhaps, not surprisingly, older finance professionals are generally less willing to upskill. Given the shortage of digital skills, 78% of older finance professionals identify not having the right talent as a major challenge facing the industry.

However, millennial finance professionals who are perhaps more technically savvy, are less concerned about talent acquisition and more willing to upskill, with 69% indicating resourcing as the main challenge. Despite the fact younger finance professionals are prepared to plug the digital gaps, older finance professionals are struggling to accommodate their eagerness to acquire new technology and software.

# Fraud and cyber security

78% of finance professionals agree that managing risk such as fraud and cyber security is top of the list of things that keep them awake at night. This is not an issue that would traditionally be front of mind for CFOs but as digitalisation has had its effect on the industry, it is something CFOs will need to manage as part of the strategic value they bring.

## Younger finance professionals are less concerned about cyber security and fraud.

Cyber criminals are increasing in scale, numbers and sophistication, with more than 945 billion data breaches and 4.5 billion records stolen in 2018.<sup>3</sup> In response to consumer demands, governments are becoming increasingly involved in driving regulation and legal frameworks to protect people's privacy and data.

As customers and organisations become increasingly tethered to the cloud, the CFO not only needs to understand the opportunities and optimisation available in the digital ecosystem, but also any threats present. The introduction of the European Union General Data Protection Regulation (GDPR) has illuminated the darkest commercial corners. Corporate heavy weights have been publicly tried and tested, pushing conversations around data privacy rights into the public domain. The CFO is now responsible for safeguarding customer and organisational data by maintaining a robust regulatory environment within their organisations.

Beyond the ethical consideration and regulatory responsibility, there is also a financial responsibility for CFOs. Research suggests the average cost of a cybercrime on Australian businesses is US\$5.41million, and US\$21million in the United States.<sup>4</sup>

While fraud and cyber security was raised as a top concern, there's a clear divide between millennials and older finance professionals. 68% of millennials we surveyed identified managing risk such as fraud and cyber security as a problem, compared with 86% of those in the older bracket. While both groups were mindful of cyber security as an issue, there's a link between cyber savviness and an understanding of how cyber threats are managed. Millennials have grown up in an age of internet access, sharing their data freely with companies and across social media platforms. According to a Gallup poll, millennials have more trust in institutions guarding their personal data.<sup>5</sup> For the same reason, millennials are faster to adopt cloud-based financial management technology, given they're more trusting of experts in other fields to keep their information secure.

Increasing instances of fraud, cyber-security hacks and misuse of data now falls firmly within the remit of the finance function. Just as increasing customer expectations have trickled down into the institutional domain from our retail counterparts, B2B operators are also being held to the same standard in terms of data privacy protection.

<sup>3</sup> Targett, E. (2019). Global Data Breaches 2018: 4.5 Billion Records Compromised Thus Far. [online] Computer Business Review. Available at: <https://www.cbronline.com/news/global-data-breaches-2018> [Accessed 4 Aug. 2019].

<sup>4</sup> Accenture. (2019). Cost of Cyber Crime Study. [online] Available at: [https://www.accenture.com/\\_acnmedia/pdf-62/accenture-2017costcybercrime-us-final.pdf#zoom=50](https://www.accenture.com/_acnmedia/pdf-62/accenture-2017costcybercrime-us-final.pdf#zoom=50) [Accessed 4 Aug. 2019].

<sup>5</sup> Gallup. (2019). Data Security: Not a Big Concern for Millennials. [online] Available at: <https://news.gallup.com/businessjournal/192401/data-security-not-big-concern-millennials.aspx>.

61% fear either their role or their colleagues' may be made redundant, and a further 58% are concerned by the amount their role has already been automated.



# Riding the tech wave

While the top causes of concern for CFOs could largely be eliminated through a greater understanding in the power of emerging technologies, headline risks around automation and subsequent redundancies are also impacting finance decision makers' appetite to change.

Considering the lack of education around the capabilities of cloud-based financial management technology, it's not surprising those in the hot-seat, now employed to make the call around automation, are uncertain about the impacts to their organisations.

When asked about the future of finance, respondents have expressed concerns about the consequence of further automation, citing a lack of cultural alignment, integration with other technologies and security risks as further deterrents. Perceptions around the link between automation and subsequent job insecurity, are also hindering finance professionals' ability to drive digital change within their organisations. 61% fear either their role or their colleagues' may be made redundant, and a further 58% are concerned by the amount their role has already been automated.



**61% fear either their role or their colleagues' may be made redundant.**

# *Alignment of culture and tech strategy*

With widespread hesitations around the influence of new technology, it's more important than ever for CFOs that are implementing technology to think about the culture of an organisation first. 89% of respondents agree with this, stating technologies must align to the needs and culture of an organisation before they can be harnessed effectively.

**64%** state the culture of their organisation is not ready for more automation.

Understanding that people create culture, some are concerned that the introduction of artificial intelligence will diminish workplace culture and a further 64% believe their workplace culture is simply not ready for more automated technology. As such, the way emerging technology is introduced into the workforce is imperative to its success. For example, you could introduce a chatbot into a traditional corporate environment and find no one uses it, because they're not ready to adopt that level of technology. For technology to thrive, CFOs need to consider longer term change management programs with a people-first mindset.

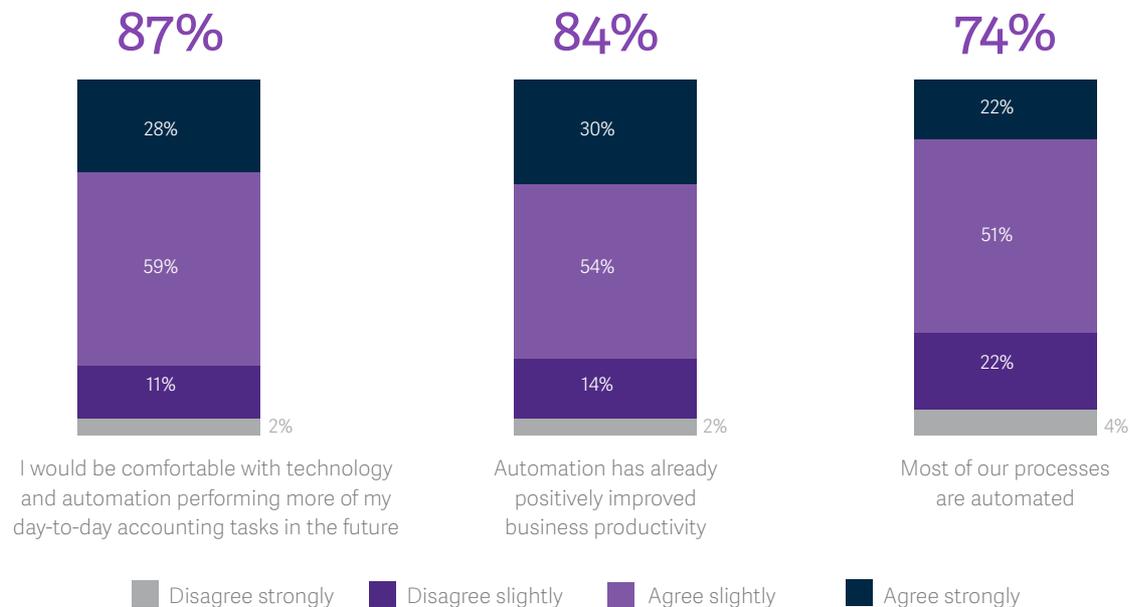
In a recent survey of top performing global finance organisations across different industries, it was found only a handful had successfully mastered the mix of culture, talent and technology that allows organisations to achieve real competitive advantage. Those who were successful have viewed developments in cloud-based ERP and data analytics as positive, rather than feeling threatened by the way the new technology impacted the function and the roles within it.<sup>6</sup>

<sup>6</sup> PWC. (2019). Stepping up: How finance functions are transforming to drive business results. [online] Available at: <https://www.pwc.com.au/consulting/assets/finance-effectiveness-benchmark-2017.pdf> [Accessed 4 Aug. 2019].

# Focus on higher-value activities

Some finance decision makers are standing out from the crowd through their ability to harness the capabilities of technology. Though this is still only a small portion of those surveyed, it's a step in the right direction for CFOs leading the way in digital transformation. 30% of finance professionals are noticing positive improvements to business productivity as a result of automation; with digitalisation equating to less time spent on repetitive tasks and fewer mistakes made, thus freeing CFOs to be more strategic. The increased introduction of automation will also assist in meeting growing customer expectations and the need for instant gratification, given new technologies can increase speed of processing and improve accuracy through reduced accounting errors.

Finance decision makers are starting to appreciate how automation and machine learning may support growth and free up time for them to focus on generating value for their organisations. Of those surveyed 28% strongly agree that they would be comfortable with technology and automation performing more of their day-to-day tasks. 40% strongly agree that the use of financial management technology is key to success within their role, and 38% strongly agree that financial management technology is the core of any business infrastructure as it enables organisations to make real-time decisions.



As technology continues to eliminate a lot of the manual tasks, the emphasis on pure technical ability will recede, and change management skills enabled through strong communication and collaboration will become an increasingly valuable commodity.

For organisations to thrive in this digital age, it is important that CFOs get behind and support the implementation and adoption of new technologies.



# Conclusion

While some suggest the future of finance is here, we believe it is just the beginning. For organisations to thrive in this transformative period, finance professionals will need to embrace the right attitudes towards technology, properly harness data that is at their fingertips and empower their teams to do the same. It is undeniable that the role of the finance function has, and will, continue to shift. The question is, can finance professionals step up and drive cultural, attitudinal and behavioural change in their organisation at the pace required to compete?

## Determination

Perceptions around the effectiveness and impact of new technologies are hindering finance professionals' ability to think strategically and consider ways to drive profitable growth opportunities. Though finance professionals are in a position to elevate their organisations to the next era of accounting and finance, most do not see themselves as being the key drivers of transforming their business.

For organisations to thrive in this digital age, it is important that CFOs get behind and support the implementation and adoption of new technologies. CFOs need to have resolve to streamline business process and elevate reporting with access to data and analytics. For those who have already taken the plunge, they have seen huge results in cutting down administration time and changing the role of the finance professional entirely.

Moving from "number-cruncher" to "visionary" will require CFOs to continue to drive and shape new thinking and practices in the face of ever-evolving challenges. In an era of increasing disruption, the stereotypical finance professional who thrives on actualities, caution and rationality may well be the determined steady hand that steers businesses through transformation, delivering them to a destination where the culture and strategy is ready to face a new future.

## Data

It's no longer enough to look at past data and reflect on what has happened or what could have been. Today's CFO needs to be a real-time analyst, who can marry up multiple touch points of immediate data to quickly determine the state of the P&L. Tomorrow's CFO will be a visionary – harnessing the ability to translate increasing amounts of raw data into accessible insight, predicting the direction of the business, uncovering hidden opportunities while closing gaps within an organisation that is increasingly data and insights driven.

## Delivery

Digital transformation is a journey for the entire organisation to undertake. With industry concerns around automation and job loss alarmingly high, it is more important than ever for organisations to carefully and strategically introduce emerging technologies into the workforce by always thinking people first. CFOs who do not think in this way, will not be able to properly harness the benefits of emerging technology.

Those who do, will have the advantage of a strong business infrastructure and truly take advantage of cloud technology. With the right platform in place, the finance function will live up to its evolving responsibilities, harnessing data and analytics and applying the financial lens to mission-critical decision-making.

With that, there's no doubt CFOs can play a leading role in harnessing the transformative opportunities that cloud technology provides in order to drive wider business transformation.



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