

RESEARCH REPORT

# The Digital CFO:

*Game-changers that make digitalisation their top priority*



In partnership with



A Financial Times Company

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# Foreword

Finance leaders in the UK have been attuned to the benefits of digitalisation for years. Advances in automation, artificial intelligence and analytics have transformed the way the finance function operates. Finance teams are moving beyond being the ‘keepers of historical records’ to supporting more value-driven activities—including continuous close and automated, seamless production of key performance metrics and data analytics—to aid better company-wide understanding of the business.

The pandemic proved that these bespoke digital capabilities not only speed up repetitive processes, freeing up teams to focus on more analytical problem-solving; they also give the finance function a competitive edge through the insights they provide.

When COVID-19 arrived, finance leaders who had already completed their digital transformation were in a much better position to provide guidance to their C-suites. Having access to cloud-enabled financial data and powerful analytics made them more agile. They could monitor business-performance trends in near real time, and quickly stress-test their response to support faster, data-driven decisions with greater confidence.

That gave those businesses an advantage over their less digitalised competitors. By pivoting quickly to new business models, they were able to stay relevant to their customers and keep up with their rapidly shifting needs and expectations.

Finance leaders who want to continue to deliver value, through this pandemic and beyond, must do so by embracing technology and automation and communicating to stakeholders how these tools support better business results.

The pandemic taught us that, while it is still fundamentally important, we cannot rely on historical data to predict future outcomes. In these uncertain times, we have to be more proactive in the way we use data and technology to create a more resilient business model. There is simply no turning back.



**Jonathan Howell,**  
Group CFO, Sage

# Executive Summary

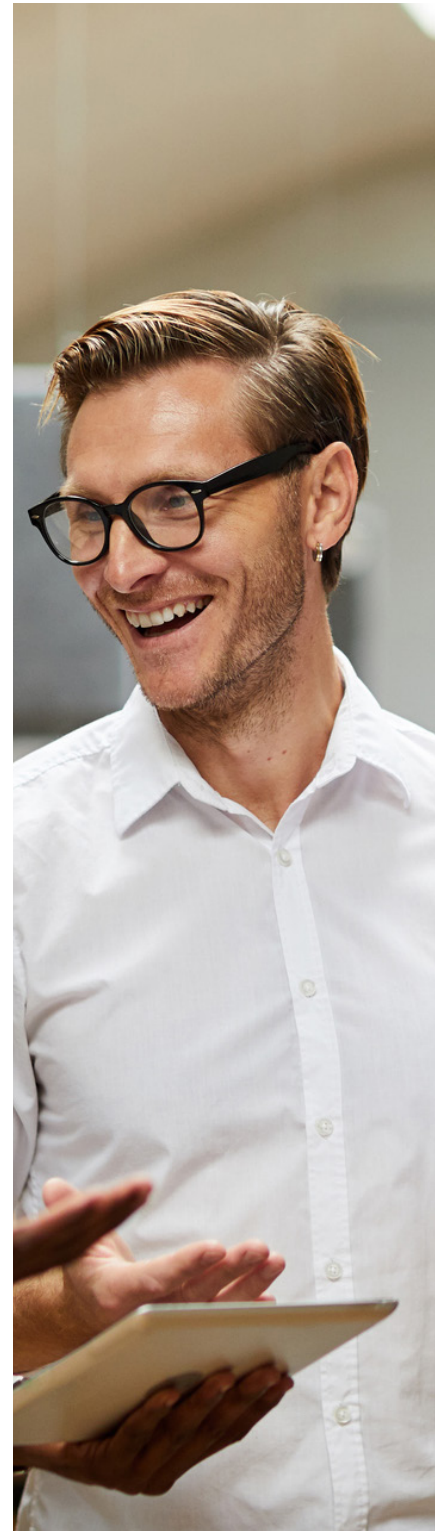
The pandemic has thrust finance leaders across the UK into the spotlight. With the economy reeling, and businesses unsure about the way forward, executives turned to their CFOs for strategic guidance. COVID-19 heightened the leadership status of the finance team, but it also increased expectations that they could predict the financial future.

The ongoing pressure from executives to provide a higher volume and quality of insights, and at greater speed, coupled with frustration over their own outdated manual processes, led many UK financial leaders to rethink their digital strategies.

According to a recent survey of 500 senior finance leaders in small and mid-sized UK firms, more than half (56%) of finance professionals say digitalisation is now their number one goal for the coming two years. These leaders are eager to embrace the benefits of better data governance; improved forecasting; and the ability to provide insights, rather than just hard data.

**“Those at the forefront of digitalisation understand the benefits that automation and cloud bring to the finance function. The rest of the finance community are very fast followers, because best practices spread.”**

— Jonathan Howell, Group CFO, Sage



## Key research findings

### **Driving the company's digital transformation is now CFOs' number one goal.**

Digitalisation outranked cutting costs, driving growth, and dealing with Brexit, which highlights how crucial the push to digital has become for finance leaders. This has clearly been amplified by COVID-19, with respondents noting they now face increased demand from other departments for real-time data (51%); digitalisation of existing processes (44%); and delivery of commercial insights, rather than just reporting the numbers (30%).

### **Finance functions need advanced analytics capabilities and digital literacy on their teams, and these skills are scarce.**

Over half (52%) say talent gaps have proven a major impediment to digital adoption, in part because every industry and department is fighting to acquire the same skills. Overall, 32% of finance leaders report that digital skills are the hardest to find, second only to stakeholder communication (33%). Added to this, about one-third fear that Brexit will exacerbate the talent shortage, and they also worry that the cost of upskilling current staff will be too great to take on.

### **Finance professionals are fed up with outdated processes and lack of analytics.**

In fact, 40% say their inability to access real-time financial data and insight is the most difficult part of their jobs today. The same number report that decision-makers spend just as much time collecting and preparing data as they do analysing it. Strikingly, 31% of CFOs say that a lack of the digital tools they need to do their job is a key challenge for them.

### **Cultural and financial hurdles are the biggest barriers to progress.**

Legacy systems and outdated methods of working are delaying transformation efforts and limiting the finance function's ability to streamline their operations. More than half of respondents (51%) say their current processes won't allow for greater automation, and 47% still believe a move to the cloud would be viewed as too costly, even though the long-term benefits of these investments will likely far outweigh the short-term costs.

### **CFOs at cloud-ready businesses see strategic benefits in digitalisation.**

Finance leaders who believe their companies are ready for the shift to the cloud tend to perceive the benefits of digitalisation differently. These CFOs were more likely to be tapped for help in providing commercial insights, rather than simply reporting the numbers (39% vs 27% in non-cloud-ready organisations). In addition, they believe it is more likely to bolster cybersecurity and reduce cyber risks (49% vs 29% of non-cloud-ready respondents). They also see it as a way to improve customer experience (38% vs 21%).

**“Automation gives finance professionals the flexibility and freedom to become true business partners. They will spend a lot more of their time providing meaningful management information as opposed to just adding the numbers up.”**

— Susan Cummings, CFO, DCSL GuideSmiths

The financial professionals who understand this value proposition—and can communicate the benefits to stakeholders—will be best positioned to make it happen.

They may face many obstacles on this digital transformation journey, but finance leaders know stasis is no longer an option. They need to embrace analytics, cloud-based solutions and automation to meet the current needs of the organisation and to establish themselves as strategic leaders who can guide the company towards its financial future.

# CFOs' insight comes to the fore during COVID

COVID-19 caused a shift in digital priorities for UK finance leaders and threw many of their plans into chaos. Nearly half of companies say their digitalisation strategy deviated significantly from their pre-COVID goals. The biggest change was caused by the mass exodus to remote working. It forced finance teams to shift priorities, with 65% reporting that ensuring flexibility of access to systems was the leading focus, ahead of security concerns (although most experts believe that this issue will be overcome in the short to medium term).

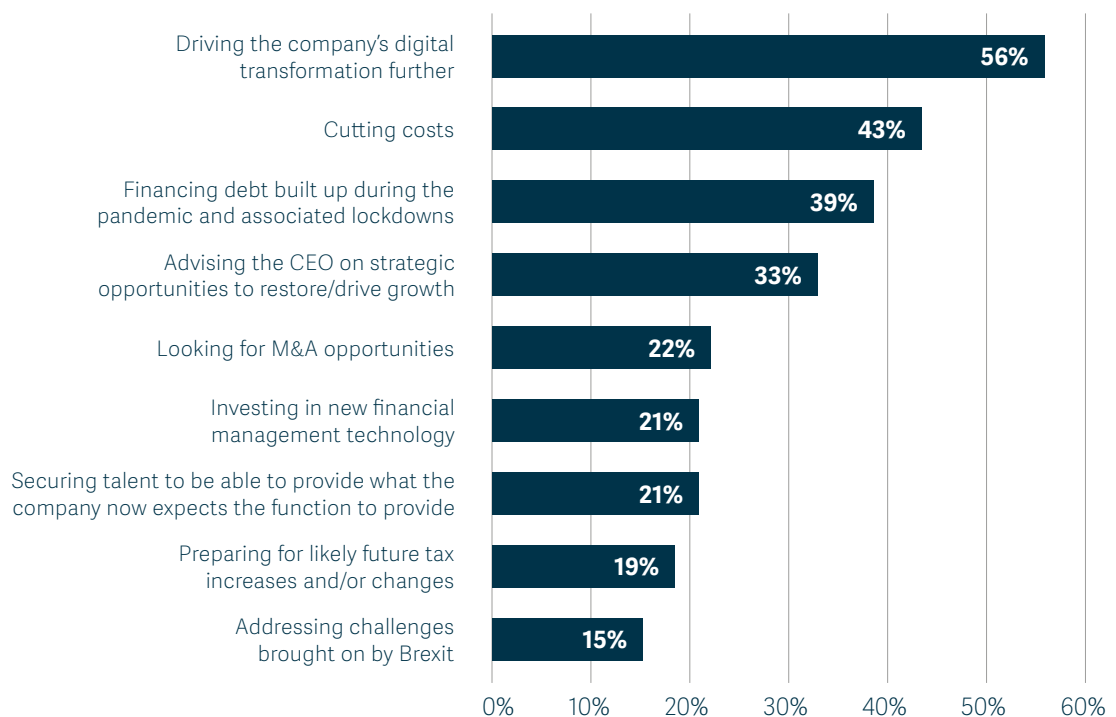
## 51% of CFOs say demand from stakeholders for more real-time, up-to-date data increased during the pandemic.

"The focus on security will make a return," Cummings predicts. "The fact that it's been deprioritised throughout COVID was a function of the speed at which change happened."

In the meantime, the unprecedented economic landscape caused many finance leaders to doubt their own instincts about how the marketplace would respond. They couldn't rely on history to predict future results. More than half of respondents (51%) say COVID increased demand for more real-time, up-to-date data so they could rapidly interpret current trends and guide decision-making.

**Chart 1: Going digital is a top priority for CFOs**

*Which of the following will be the leading priorities of the finance function at your company in the coming two years?*



## They saw it coming

“Business leaders all recognise the value of having meaningful management information, metrics and analysis,” Cummings says. “It allows them to make decisions on the basis of substantive evidence, as opposed to just gut feel or perception.”

CFOs in particular have known this for years. The Sage 2019 survey, **CFO 3.0 – Digital transformation beyond financial management**, found that 77% of financial professionals said they would be unable to provide insights to the organisation if they did not invest in financial-management technology.

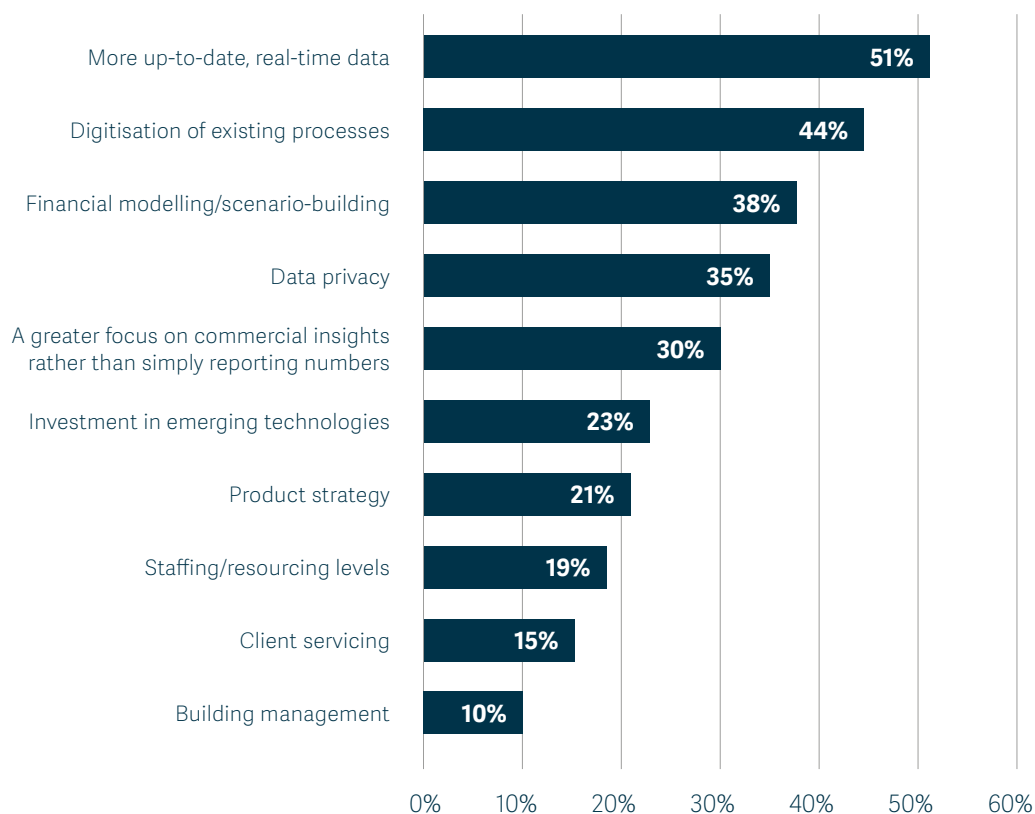
The 2021 survey proved them right. Throughout the pandemic, financial professionals across the UK faced pressure from their organisations to provide better, faster and more detailed information about the business and the impact of the pandemic. Unsurprisingly, then, 56% of finance leaders say that driving the company’s digital transformation further is now their top priority for the next two years, ahead of cost-cutting and debt financing, and even ahead of advising CEOs on growth (see chart 1).

More than half of respondents say they experienced a rise in requests for technology-enabled financial tools from other departments, including demand for more up-to-date data (51%). They also received requests for digitalisation of existing processes (44%), and expectations of commercial insights rather than just reporting data (30%). And nearly one in four (23%) reports that department heads specifically asked the finance department to invest in emerging technologies (see chart 2).

**56% of finance leaders say that driving the company’s digital transformation further is now their top priority for the next two years.**

### Chart 2: Real-time digital data in demand

**Thinking about the role of the finance function since the COVID-19 pandemic hit, has your finance team experienced increased demand for any of the following from other business stakeholders?**

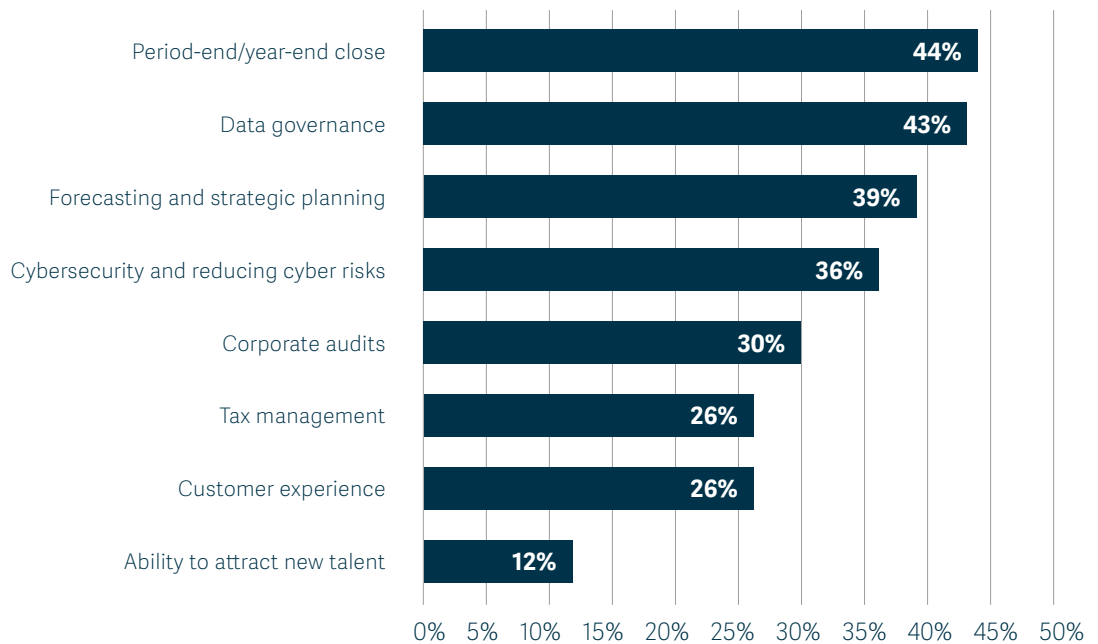




These pressures have pushed digitalisation goals to the forefront and crystallised the business problems they would solve. When asked where technology will have the biggest impact, finance leaders point to wide-ranging benefits, including period-end/year-end close (44%); data governance (43%); and forecasting and strategic planning (39%) (see chart 3).

**Chart 3: Technology is expected to impact several key finance challenges**

*In which of the following areas of finance do you believe technology will have the most impact over the next two years?*



This reflects expectations that emerged in the 2019 survey, where 94% of financial professionals said technology innovations and automation would play a crucial role in their future finance function. They believed that digitalisation would streamline activities within the finance function and lay the foundation for better use of critical data and insights that can be used across the organisation.

They were right.



# Digital CFOs will lead the change

Survey respondents witnessed how digitalisation benefited companies that had already completed this transformation. "Those finance functions were able to provide very rapid information on changing trends in business when things were moving faster than we've ever seen," says Sage's Jonathan Howell. "Those finance leaders were able to put their organisations at a distinct advantage, because that visibility accelerated all kinds of decisions."

It helped them assess and mitigate the impact of furloughs, create confidence around cash flow and support decisions and investments to drive the business forward.

Among finance professionals who haven't yet completed this digital journey, the pandemic elevated their role in this transformation. In fact, 67% of respondents say the CFO's influence over digitalisation increased in the past year. And while CIOs take the lead on digital strategy, CFOs are closely involved in helping prioritise digitalisation initiatives and aligning these with the wider business strategy.

**67% of respondents say that the influence of CFOs over their company's digitalisation efforts has increased in the past year.**

"The opportunity for financial professionals to become absolute leaders and decision-makers has never been greater," Howell says.

For many, however, the lack of digital progress before the pandemic prevented them from meeting their teams' expectations.



## Cloud-ready leaders see strategic benefits and improved cybersecurity in digitalisation

In 2019, 63% of finance professionals felt their businesses were not yet culturally ready for more automation. That number dropped to 53% in 2021. The survey also found that those professionals who believe they are cloud-ready see greater strategic value in this transition than their less cloud-ready peers.

Cloud-ready finance professionals are far more likely than those who are not cloud-ready to report that the lack of digital tools is making their jobs harder (52% vs 27%). This indicates that cloud-ready leaders understand how digitalisation will bring them greater agility and free up their teams to focus on more value-driven tasks.

Cloud-ready leaders are more likely to link digitalisation to achieving key business goals, including better cybersecurity (49%) and improved customer experience (38%; see chart 4). In contrast, companies that aren't cloud-ready see digitalisation as addressing more tactical tasks, such as improving year-end close (48%) and supporting data governance (47%).

### Chart 4: Cloud-ready companies see more value in digitalisation

*In which of the following areas of finance do you believe technology will have the most impact over the next two years?*



Finance professionals in cloud-ready companies are more likely to report a demand for commercial insights, rather than just reporting numbers (39% vs 27%). This suggests that business leaders across these organisations are aware of the potential benefits that automation and analytics can bring.

Cloud-ready companies are almost twice as likely to say automation has already improved productivity (32% vs 17%), which is a key business benefit of this journey. In comparison, 61% of non-cloud-ready companies say they don't even have processes in place to enable automation.

These numbers indicate that cloud-ready finance professionals understand that digitalisation will bring them more than just incremental improvements.

**“It will give them access to real-time, forward-looking data to service customers better; make smarter, earlier decisions; and, ultimately, to drive the success and profitability of the business.”**

— Jonathan Howell, Group CFO, Sage



**40% of CFOs say the lack of real-time financial data and insights is an ongoing challenge.**

### **Non-digital finance leaders lack the data to be effective**

Nearly a third of respondents say they don't currently have the digital tools they need to do their jobs, and 40% say the lack of real-time financial data and insights is an ongoing challenge.

The data proves that most financial professionals see the connection between digitalisation of the finance function and creating new business value. Yet many are still struggling to get their organisations to embrace the cloud and automation.

#### **They blame a number of obstacles for these delays:**

- 64% say their business is not ready for cloud-based financial-management systems;
- 53% say their business is not yet culturally ready for more automation—even though 40% say decision-makers in the business spend just as much time collecting and preparing data as they do analysing it;
- 47% blame the cost of the technology itself, while 44% say the related cost of training is the biggest obstacle.

This is a shift from 2019, when concerns about cybersecurity were cited as the number one challenge to digitalisation. In the current study, less than a quarter cite data security, software integration or compliance concerns as key obstacles; and only 17% say they have no senior-management buy-in.

### **Digitalisation demands new skills, and drives culture change**

The focus on cost is predictable, says Cummings: "Cost is always a concern, especially when you're running a small company." To counter those concerns, finance teams must be able to communicate to shareholders the value that digitalisation brings to the business. "When you make that mental shift, the cost becomes less relevant."

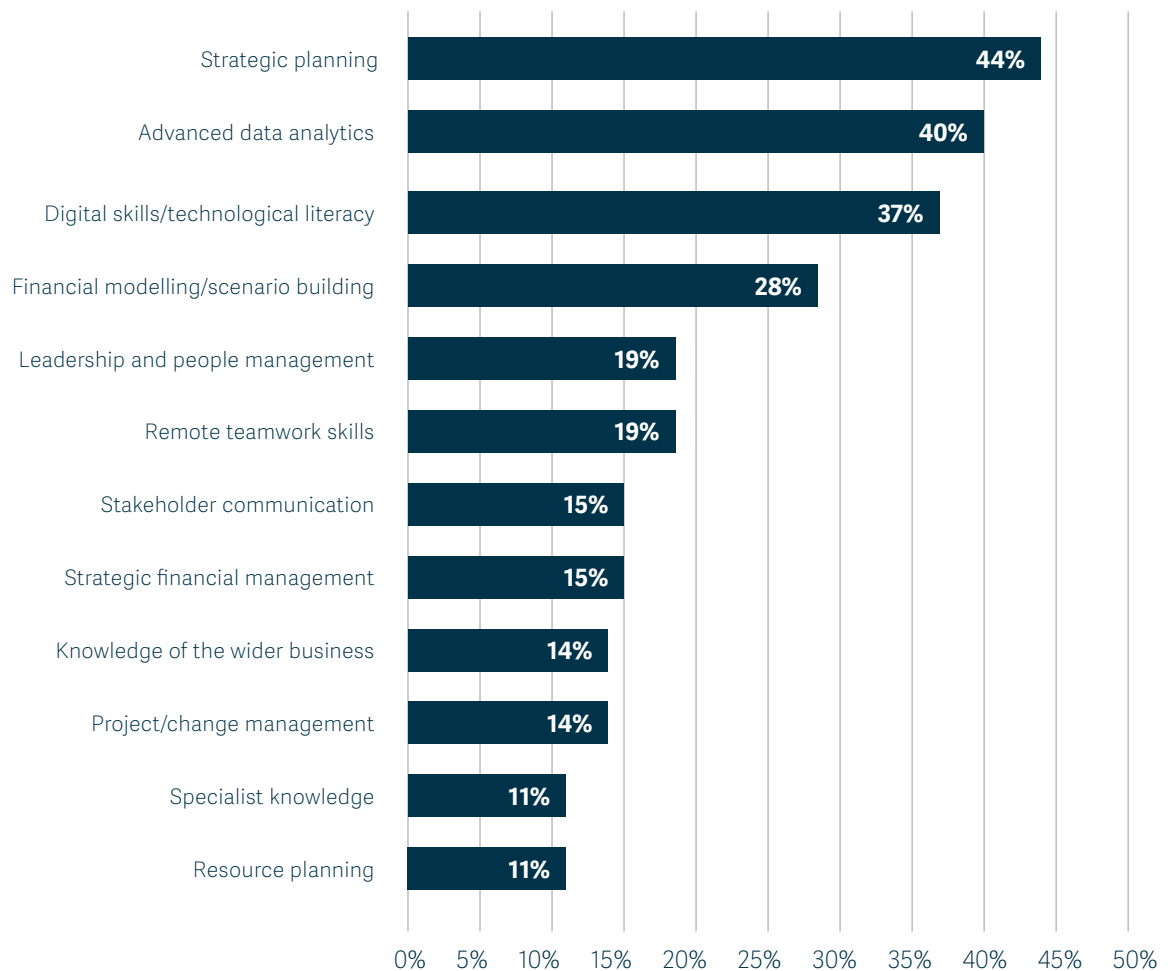
That mental shift can prove difficult, however, because it requires finance teams to develop new skills and reimagine their strategic role in the organisation. "To be successful now as a finance leader, you've got to embrace the fact that you are a decision-maker," Cummings states. "That's been a significant change in the finance function."

It can be particularly challenging for finance leaders who currently lack the digital skills and knowledge to navigate this journey successfully. The core financial skills needed in the finance function won't change, but the list of additional skill requirements will get a lot longer as finance teams go digital. That could be a problem, particularly in the current talent market.

Respondents list advanced data analytics (40%) and digital skills (37%) among the top three capabilities finance teams will need in the next two years (see chart 5). But finding these skills among finance professionals will pose a significant challenge.

**Chart 5: Skills relating to data and digital are in demand within the finance function**

*Which of the following skills and abilities will see the greatest increase in demand by your finance function in the coming two years?*



### **Brexit's shadow looms large over finance**

The attention on Brexit has diminished considerably during the pandemic, but financial leaders haven't forgotten it. More than half (51%) still see it as a key challenge for their operations, putting concerns about Brexit ahead of staying informed about ongoing legislative changes (49%) and meeting stakeholder demands (34%).

They worry that Brexit will sharply increase the red tape and paperwork when managing cross-border trade, and are concerned about increased regulatory requirements and reduced access to talent located across local borders. Mid-sized companies were more worried than smaller firms about access to new talent and skills, although one aspect of the pandemic may help ease their fears about talent shortages, as companies have become more comfortable working with staff permanently based in other countries.

The challenges and bureaucracy created by Brexit won't go away, but they have been largely overshadowed by the pandemic.

**“COVID has had 10 times the impact that any other change will have brought to any business, including Brexit. COVID has been such a game-changer that it makes Brexit almost a footnote in the storyline.”**

— Susan Cummings, CFO, DCSL GuideSmiths



# Closing the talent gap

Our respondents report that digital skills are the second most difficult to find among the current crop of young talent, after stakeholder communication. They are followed by financial modelling and advanced data-analytics skills (see chart 6).

Respondents in the 2019 report had similar concerns: over three-quarters (78%) said technology literacy skills were essential to the future of their department, and about a third were concerned about finding those skills.

## Chart 6: Digital and data skills are hard to source in finance

*Which of the following skills and abilities does your finance function find it most difficult to secure?*



The demand for digital skills has been creeping into the finance function for years, but finance leaders still haven't worked out how to find or create them in their current staff. Just over half (52%) of finance professionals consider these talent gaps a key obstacle to driving digital adoption—and demand for these skills will not go away.

It's a frustrating roadblock that will require finance teams to promote their digital plans to potential talent and communicate the value they will bring. It will also, no doubt, push finance leaders to get more creative in attracting the right candidates.



"In most finance teams, analytical skills, data modelling and business modelling are becoming the highest priorities," Cummings says. "Finding those skills is definitely becoming more and more of a struggle."

The survey suggests that, if companies push digitalisation forward, it may make it easier to attract better candidates. Almost half of respondents (48%) say that investing in advanced, cloud-based finance systems will help them hire the best finance talent.

This doesn't surprise Howell. "High-quality financial professionals don't want to be using outdated spreadsheets or manually cutting and aggregating data," he says. "They want to do work that is tied to strategic understanding and decision-making."

As new finance graduates enter the market, they'll expect to work with the latest generation of financial tools and seek out employers who provide that environment.

This is one area where the pandemic may have brought positive change. The forced enablement of virtual work has made business leaders more comfortable with the idea of hiring remote teams, allowing them to recruit from much further afield. "The thought of having talent in Newcastle versus Spain... it doesn't really matter, as long as they have the skillsets you require," Cummings suggests. Even as employees return to the office, remote and hybrid options are expected to be a permanent part of the way we work in the future, making remote teams a reasonable recruitment strategy.

**48% of CFOs believe that investing in advanced, cloud-based finance systems will help them hire the best talent.**

# Conclusion

Digitalisation of the finance function is an inevitable next step for any organisation that wants to stay abreast of market trends and be able to vet decisions with real-time data and analytics. Moving to the cloud, automating manual tasks and using advanced analytics tools to understand trends can make a business more resilient and adaptable.

While many firms struggle with the cost and upheaval of the cultural transformation required to make digitalisation a reality, the value proposition is clear. These technologies give finance teams the ability to report on trends in real time and identify the decisions that will deliver the greatest benefits to the business.

Howell encourages finance leaders to build a business case for digitalisation, and to partner with IT teams and business leaders to identify the areas where technology can deliver quick returns through automation, data-driven analytics and the move to the cloud. Those early successes can be used to support bigger investments in new technology, along with new hires, training and talent development. "As soon as you're able to demonstrate that," he says, "you'll get the buy-in from leaders to support the transition."

## About the research

Sage commissioned Longitude, a Financial Times company, to survey 500 senior finance leaders from small and mid-sized organisations across the UK during July and August 2021. These organisations operated in a range of sectors, including financial services (30%); hospitality and leisure (22%); Software-as-a-Service (20%); professional services (19%); healthcare (8%); not-for-profit (1%); and other services (1%). All companies polled had between 50 and 1,000 employees and took between £3m and £500m in annual revenue. Note that percentages in this study may not add up to 100, owing to rounding.





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