Swiss Army CFO

The priorities and challenges for UK CFOs in 2021 and beyond

$I = Prt$

$B = R$

$PV = \frac{C_1}{(1+r)^n}$

$A = P\left(1 + \frac{r}{n}\right)$

A Tipalti Special Report

Foreword:

If we were to only focus on economic predictions, most people would feel broadly confident about the year ahead. The Organisation for Economic Co-Operation and Development (OECD)'s interim Economic Outlook report stated that globally, "economic recovery remains strong, helped by government and central bank support and by progress in vaccination."

But for businesses in the UK, uncertainty still looms. From the constantly evolving post-Brexit environment, to supply chain issues, to extreme weather, to coronavirus variants, as well as a number of reports predicting a rise in unemployment rates.[1]

To cope, UK businesses need to constantly reassess priorities and be equipped with the agility to address challenges, and seize opportunities at a moment's notice.

That in turn means new pressures for chief financial officers, finance directors and other finance function leaders. Already in the midst of digitally-driven change as they seek to revolutionise what was perceived as a cost-controlling, gatekeeping back-office function into a transformative, business-driving commercially savvy team, CFOs are faced with tackling new challenges and responsibilities on a seemingly daily basis.

To understand what CFOs are facing and help them plot a way forward, Tipalti surveyed more than a thousand CFOs and CEOs in the UK and US, distilling the findings into this report[2]. The results reveal a role that is dealing with previously unseen levels of complexity, caught juggling different priorities for the business. On the one hand, CFOs are wrestling with the challenges of integrating technology and leading international growth, while also trying to find ways for their businesses to operate in a more sustainable manner.

1 The British Chamber of Commerce predicted UK unemployment peaking at 6% in Q4 2021, while KPMG had unemployment at 5.1% in 2021, rising to 5.3% in 2022, and the OECD had it at 6.1% by the end of 2021, up from 4.8% in Q1 2021.

2 Tiplati commissioned Censuswide to survey 350 CFOs and 353 CEOs working for companies based/headquartered in the US, and 150 CFOs and 150 CEOs working for companies based/headquartered in the UK, in July 2021.

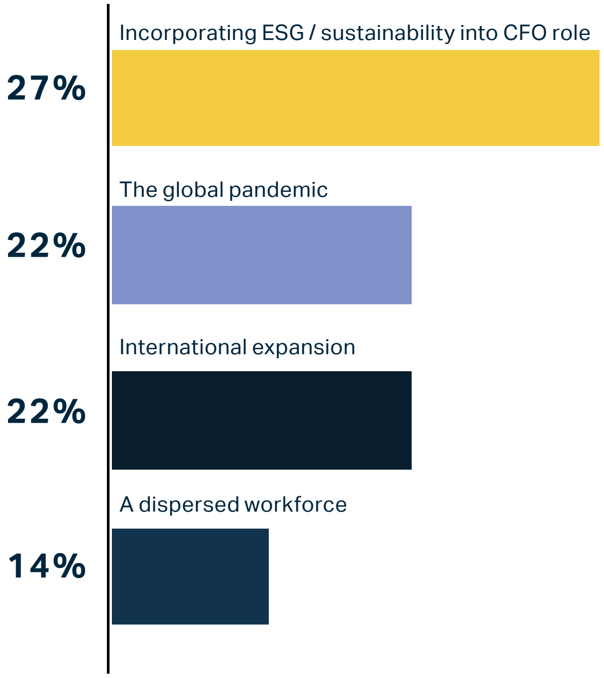
The changing priorities of the CFO in 2021 and beyond

The big message coming out of the survey results was the increasing complexity of the finance job; nearly all (97%) of UK CFOs believe their role has become more complex in the last two years. While external factors such as Brexit and the pandemic have undoubtedly contributed to this state, the data shows that internal drivers are also having an impact.

For instance, driving international expansion (22%), and dealing with a more dispersed workforce (14%) were highlighted by respondents. So too was incorporating environmental, social and governance (ESG) and sustainability into the business and its operations (27%).

However, with nearly a third (29%) of CFOs stating they are having to deal with more manual finance operations, having time for these key priorities is proving challenging.

Biggest causes of complexity for UK CFOs



The complexity of change

While we have already noted that almost every UK CFO believes their role has become more complex, what is particularly striking is how this seems to be much more of an issue in the UK than in the US. More than half (52%) of UK CFOs strongly agreed that the role has become more complex, versus slightly more than a third (37%) who strongly agree in the US.

What is driving this difference? While any business dealing with customers or suppliers in the UK has had to make changes over the last couple of years, Brexit has undoubtedly put an increased burden on UK-based companies. New regulations, tariffs and charges have increased the administrative burden across all aspects of the organisation.

However, the urgency to develop ESG / sustainability capabilities also contributes hugely to complexity. More than a quarter of CEOs see this as the most important quality needed in a CFO today - unsurprising when we consider the increasing investor interest in ESG ratings.

This is no doubt influenced by the political environment rightly pushing businesses to be active in reducing emissions and being good corporate citizens. For instance, in March, the UK government announced that nearly one in three of the country's biggest businesses had signed up to the United Nations' Race to Zero, with Business and Energy Secretary Kwasi Kwarteng calling for "more fantastic British companies to…follow suit."[3]

Then there is the pandemic issue. Firstly, the ongoing challenges of managing businesses that might need to pivot working patterns at a moment's notice. Secondly, factoring in any central government funding their organisations have received. And thirdly, the role of the CFO in identifying the right working model for their organisation and what it means to manage this workforce.

From regulations around hiring, firing and paying talent that may no longer work in the same country as the business, to financing the infrastructure required to support decentralised employees, CFOs are wrestling with a raft of new challenges.

3 https://tinyurl.com/rr3fcjhh

How these complexities have impacted the CFO role

- **26%** Expectations to deal with unpredictable external factors/events
- **21%** Ability to expand internationally outside existing markets
- **29%** More focus on fraud, tax and regulatory compliance
- **35%** More focus on prioritising people/team wellbeing
- **39%** Greater collaboration with the CEO / rest of the C-Suite
- **29%** More manual financial operations work
- **23%** More strategic role across the business

The demand for international growth

Many businesses looking to survive and thrive have set their sights on opportunities outside of the UK and the EU. A recent paper from the Department for International Trade noted that almost 90% of world growth is expected to be outside the EU over the next five years. In particular, growth in digital, services, and green trade are all expected to accelerate this decade. It also identified that the export market opportunity for the UK's green sector alone is estimated to be worth up to £170 billion a year by 2030.[4]

4 https://tinyurl.com/7umfckn5

This aligns with what both CFOs and CEOs are thinking. More than a quarter (28%) of UK business leaders and 23% of their finance counterparts rated international growth as a top priority. However, as we have already seen, this does mean challenges; a fifth (22%) of CFOs stated that this has been something making their role more complex.

There is also the issue of making sure the company can scale its operations to not just drive but sustain growth in foreign markets. They need to (among other things) add suppliers, expand into a more mobile workforce, increase invoice and payments volume, build more extensive and resilient supply chains. They may acquire companies, add subsidiaries and geographic business units, have different payables workflows, address constantly changing tax and regulatory requirements, and integrate more mature fraud, financial and cost controls. Not to mention managing payments in multiple currencies. As such, it is unsurprising that nearly a fifth (16%) of CFOs say ensuring finance operations are keeping up with company growth is a concern.

However, their bosses recognise the need for a fix – just under a third (29%) of CEOs are prioritising adopting solutions to enhance efficiency to help achieve growth. In other words, more digital tools, technologies and transformation.

A spotlight on digital transformation

For a majority of businesses, the pandemic accelerated digital transformation. Decisions that would once have taken months were confirmed within days, with some organisations pivoting entire business models. The fact that the big winners of the past couple of years have been, if not digital natives, those organisations with technology at their core, only serves to highlight the importance of transforming operations, services and offerings to meet the needs of customers.

CFOs understand this - adopting new technologies was ranked as the highest priority for CFOs as a primary focus for the next few years.

This focus is being pushed more broadly across the entire business as well – UK CEOs are looking for CFOs that can prioritise innovation (25%) and adopt new technologies (22%). In addition, company leaders want their finance partners to be able to improve financial and business reporting accuracy and timeliness (28%), a critical part of informing better, faster and more accurate decision-making across the entire organisation.

But what does that technology look like? We have already seen how nearly a third (29%) of CFOs are wrestling with manual processes – and indeed, accounts payable is the number one most time-consuming function in finance today. This burden is clearly informing a need for tools that can take out the drudgery of financial operations and leave more time for value-adding, strategic activities. Interestingly, CFOs based in the US seem to be further ahead in their route towards automation and digital transformation, as well as business intelligence and analytics. As pressure builds from CEOs to drive innovation and the adoption of new technologies across the business, the UK is likely to swiftly catch up.

Automation driving tech priorities

1. AI and machine learning

2. Automation and digital transformation

3. Business intelligence and analytics

How finance leaders can become a Swiss Army CFO

CFOs are critical to business success. Simply looking at respondent priorities highlights that what keeps finance leaders up at night are the same issues that will define whether a company thrives or dies in today's market.

If further proof is required, we only need to consider how CEOs see their finance counterparts; a fifth (20%) of UK CFOs say they have seen a greater demand placed on them by the CEO and C-Suite, a key factor that has made their job more complex. In addition, over a third (39%) of UK CFOs believe collaboration with the CEO has become more necessary than it was two years ago.

Yet that means CFOs need to be more than financial controllers. They need to be comfortable with (and capable of) spearheading international growth (and having in place the systems to support it), integrating ESG into every facet of the organisation, and investing in the right technology. It is a multi-faceted role which requires a varied array of skillsets, much like a Swiss Army knife.

How do they manage this?

1. **They need to maximise financial process efficiency**
2. **Rapidly scale and adapt to changing business needs**
3. **Improve decision-making with better business visibility**
4. **De-risk accounts payables by strengthening fraud, financial, cost and cash controls**

Manual operations, combined with fragmented processes, are consuming the resources and time necessary to scale and guide the business, while also increasing risk by weakening visibility and controls.

To prevent this, CFOs need to modernise their financial processes, including the likes of accounts payables. This means automation, applied to back-office accounting processes, so that more time can be spent on the tasks that matter, while future-proofing and de-risking finance for the long-term.

Finance's need for automation in action: Hopin

Hopin, the event technology platform and one of Europe's fastest growing start-ups. Launching in June 2019 and valued at $7.75 billion just two years later[5], it has seen tremendous growth as it helps customers host immersive virtual, hybrid and in-person event experiences.

For the company's finance team, this meant needing to process a huge volume of international payments, initially in a time consuming, manual and complicated manner including manually selecting the correct currencies.

Knowing it needed to automate in order to gain the visibility and overview needed to help sustain and scale the company's growth, the team at Hopin worked with Tipalti to cut out manual intervention and future-proof processes. This meant being able to bring invoice processing back in house, while the multi-entity setup provides complete visibility across operations.

Melissa Richards, Senior Accounts Payable Analyst at Hopin said: "Our workflow is quick and easy with all our payment processes in one central location - the days of juggling different systems and exporting files are long gone – we have no manual intervention. With automated accounts payable, we can continue to scale and not have to add more headcount to keep up."

5 https://tinyurl.com/4xrhku44

From financial controller to fit-for-purpose strategic leader

Brexit, the pandemic, digital disruption, the need for international growth; CFOs are being pulled in disparate ways, some of which are very much outside the traditional scope of finance. But if they are to meet the needs of their organisations, CFOs have to be able to focus on the most strategic, value-adding activities. As the survey results show, priorities such as supporting and scaling international growth, driving the ESG agenda and making critical tech decisions means CFOs cannot be getting bogged down in the minutiae of manual, tedious, largely administrative and intensely laborious financial operations.

What the respondents demonstrated, however, was a desire (from CFOs) and a need (from CEOs), for finance leaders to spend time on those strategic tasks and get away from that historic cost-controller role.

In the short term, that means shoring up core finance processes and operations, automating where possible, and ultimately building a finance function that is both fit for purpose in a digital world and future-proofed for ongoing innovation. Only then will CFOs and their wider teams be able to focus on responding to the challenges they are facing, and ultimately help to drive growth and profitability.