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FINANCE

# The Dynamic Finance Organization:

## How CFOs Will Lead Progress and Recovery in 2021

**March 2021**

# Methodology

The survey was carried out by independent, third-party research company Censuswide, which surveyed 1,254 chief financial officers, financial advisors, finance managers, finance leaders, financial analysts, finance assistants, credit managers, and payroll managers. These finance leaders were located in the United Kingdom, United States, China, Hong Kong, Taiwan, and India. They represented the following industries: architecture, engineering & building; arts & culture; education; finance; health care; human resources; IT & telecommunications; legal; manufacturing & utilities; retail, catering & leisure; sales, media & marketing; and travel & transport. The survey took place in December 2020.

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CHAPTER 1

# Introduction

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Years from now, we'll still be studying the ways that COVID-19 forced global businesses to diverge from their established 2020 plans and start responding to the crisis. It's not like business leaders weren't already grappling with other potential challenges to their operations — possible recession and tariff disputes, just to name two. But in the space of a few weeks, businesses had to pivot sharply, creating new strategies and plans that would determine whether they would be able to maintain their fundamental stability throughout the upheaval.

Finance leaders were right in the vanguard of the corporate teams working to contain COVID-19-related disruption. Amid rapid economic deceleration and volatility, CFOs and their teams focused on maintaining and boosting liquidity through creative management of short-term credit, cash flow and resources. They had to race against time to stand up new "rapid response" programs to support remote workforces, restructure credit and collections, ensure financing and mitigate financial risk.

CFOs are now key participants in the next phase: assessing longer-term impacts and helping their companies adapt to an environment of continuing uncertainty. They need to establish which of their pre-pandemic goals are no longer applicable and which can be adapted to fit post-pandemic priorities. And they need to determine which operational methods and tools were helpful and which should be upgraded or replaced altogether to meet the new requirements of global commerce.

To attempt to examine how finance leaders are approaching these challenges, we conducted a survey of more than 1,200 CFOs and other finance professionals. We included professionals across more than 12 industries and in five global regions to address as diverse a cross section as possible of this demographic. We asked them about their current challenges and their plans for improving their finance operations in 2021, and about how those plans may have needed to change in response to the shifting economic climate.

We also asked about technology — the degree to which it may have started to transform finance operations, and how finance teams may plan to expand automation in their organizations. In addition, we wanted to know respondents' views on data, including the impact of data quality on their operations and the ability to share data across systems and functions to generate actionable insights.

This report presents our findings to help inform your strategic and technological outlook for 2021 — recognizing that although it's hard to achieve certainty even in "normal" times, it's helpful to know the key trends influencing your peers and competitors within and beyond your own region and industry.

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CHAPTER 2

# Executive Summary

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The majority of CFOs and finance leaders responding to the survey (75%) are reporting that, as expected, the COVID-19 pandemic has had adverse impacts on finance operations in the past year. And they expect to see this trend continue into 2021; nearly half of survey respondents — 48% — believe that COVID-related economic disruption will significantly impact their finance operations through 2021.

These finance leaders have already taken specific steps to help their operations be more resilient in the face of the lingering effects of COVID-19. Among those responding, a large cohort — 40% — indicated that they have invested in technology to support a distributed workforce. And 36% indicated that they have begun expanding automation of tasks within their finance operations — suggesting that these respondents see value in ongoing digital transformation to help them manage through the crisis.

These survey results are strongly indicative that CFOs and finance leaders will continue to pursue technology-based solutions as they seek to increase efficiency and improve their capability to manage disruption. They are well aware that, although their teams may continue to work remotely, the demands being made on them will only intensify as their businesses continue to adjust to new internal and external dynamics. They acknowledge the need for better digital tools to help them coordinate even more closely and develop the necessary agility to protect the business's cash flow and plan for its future.

They also recognize that reducing manual effort in their organizations is essential to improving efficiency and capacity for managing disruption. We noted above that over a third of survey respondents had already begun to expand automation within their operations; when they were asked to be more specific about their degree of process automation, a preponderance — 44% — said that they were "mostly automated." But this assessment declined substantially when those surveyed were asked to focus on credit-to-cash processes. In this case, a large cohort assessed five key aspects of credit-to-cash as "mostly manual," by percentages ranging from 43% to 45%.

Having acknowledged that they have automation gaps in key areas, CFOs and finance leaders were asked about the automation potential for several of the fundamental processes of finance organizations. The highest percentage of respondents — 41% — selected cash application as the process with the most potential to be automated in 2021. Considering the risks of improperly applied payments, and the potentially negative impacts on downstream processes including credit and collections, this is an unsurprising result.

Automation, of course, can't be considered separately from the topic of data — more specifically, data quality; without high-quality data, automation technologies cannot work properly or bring about the level of step change needed by finance organizations in 2021. Survey respondents confirmed that they are aware of this, with a preponderance — 41% — indicating that data quality is a paramount component of their current plans to improve finance operations.

That said, a high percentage of the CFOs and finance leaders surveyed said that managing data is one of their most significant challenges. A notable 98% of finance leaders surveyed indicated that they struggle to manage customer data in one or more areas. And the highest percentage of those surveyed — 47% — noted that their biggest challenge is using that data to generate insights with minimal manual work, which points directly back to the inextricable relationship between data quality and automation capability.

The lessons of 2020 tested the resilience of finance leaders, who were called upon to help sustain their businesses through unprecedented circumstances. Those circumstances brought a realization for many that they could no longer make assumptions about what the future would look like for their teams and their companies. They also realized that data-driven technology and automation could represent the best strategy for confronting an uncertain future, creating the agility, efficiency, speed, and accuracy needed by the finance organization to keep the business moving steadily forward.

**48%** of respondents believe that COVID-related economic disruption will significantly impact their finance operations through 2021.

CHAPTER 3

# Finance Leaders' Priorities for 2021 and Beyond

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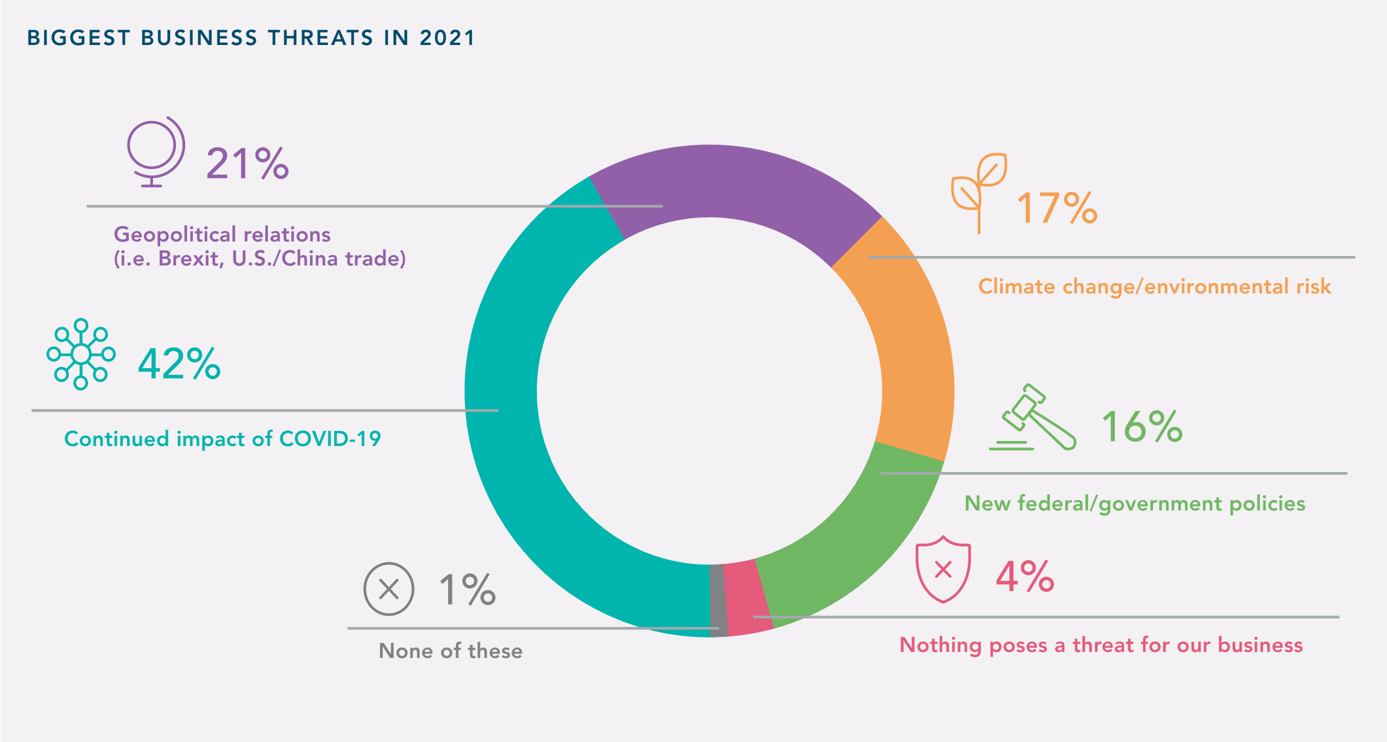
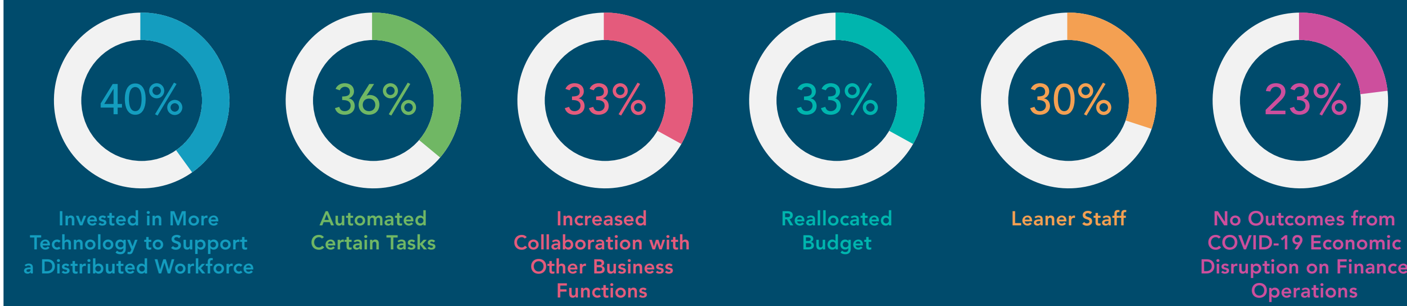
Unsurprisingly, the pandemic is by far the biggest perceived business challenge by finance leaders who responded to this survey. This viewpoint carries through across all the surveyed regions, company sizes, and represented industries.




When asked whether economic disruption related to the pandemic had an impact on their companies' finance operations and metrics, the response in this survey was overwhelmingly "Yes", by 77% of all respondents. And the most frequently cited response to these impacts, by 40% of survey respondents overall, was increased investment in technology to support a more distributed workforce.

## OUTCOMES OF COVID-19-RELATED ECONOMIC DISRUPTION ON FINANCE OPERATIONS*




*Respondents selected "all that apply"

It's clear that for this set of finance leaders, the crisis-driven impetus to get new technology in place even supersedes more traditional finance goals such as managing expenses and fostering enterprise growth.

Surveywide, 43% of respondents selected "Implementation of enterprise technology solutions," such as CRM and ERP systems, as their highest priority for 2021. Among the 12 industries surveyed, nine indicated that "Implementation of enterprise technology solutions" was their highest or second highest finance organization priority in 2021. It was particularly important for industries heavily dependent on in-person, on-site work such as Education (48%), Manufacturing & Utilities (46%) and Health Care (44%).

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Survey respondents indicated a consistency between the highest priorities for their financial organizations in 2021 and the plans that they, as the finance leaders, have for actually improving performance of their financial operations this year. According to the survey observations, many CFOs and finance leaders plan to act on their stated priorities by improving technology and data quality — demonstrating that these have gone from "nice to have" to "must-have" status in the current environment of volatility and complexity.

For the overall survey, the largest cohort (42%) cited "New or enhanced technology to drive efficiencies" as the top planned item for improving financial operations in 2021. Close behind, at 41%, was "Data quality improvement initiative" — which reinforces the argument that good quality data and the technological capability for benefiting from it are largely inseparable in finance organizations.

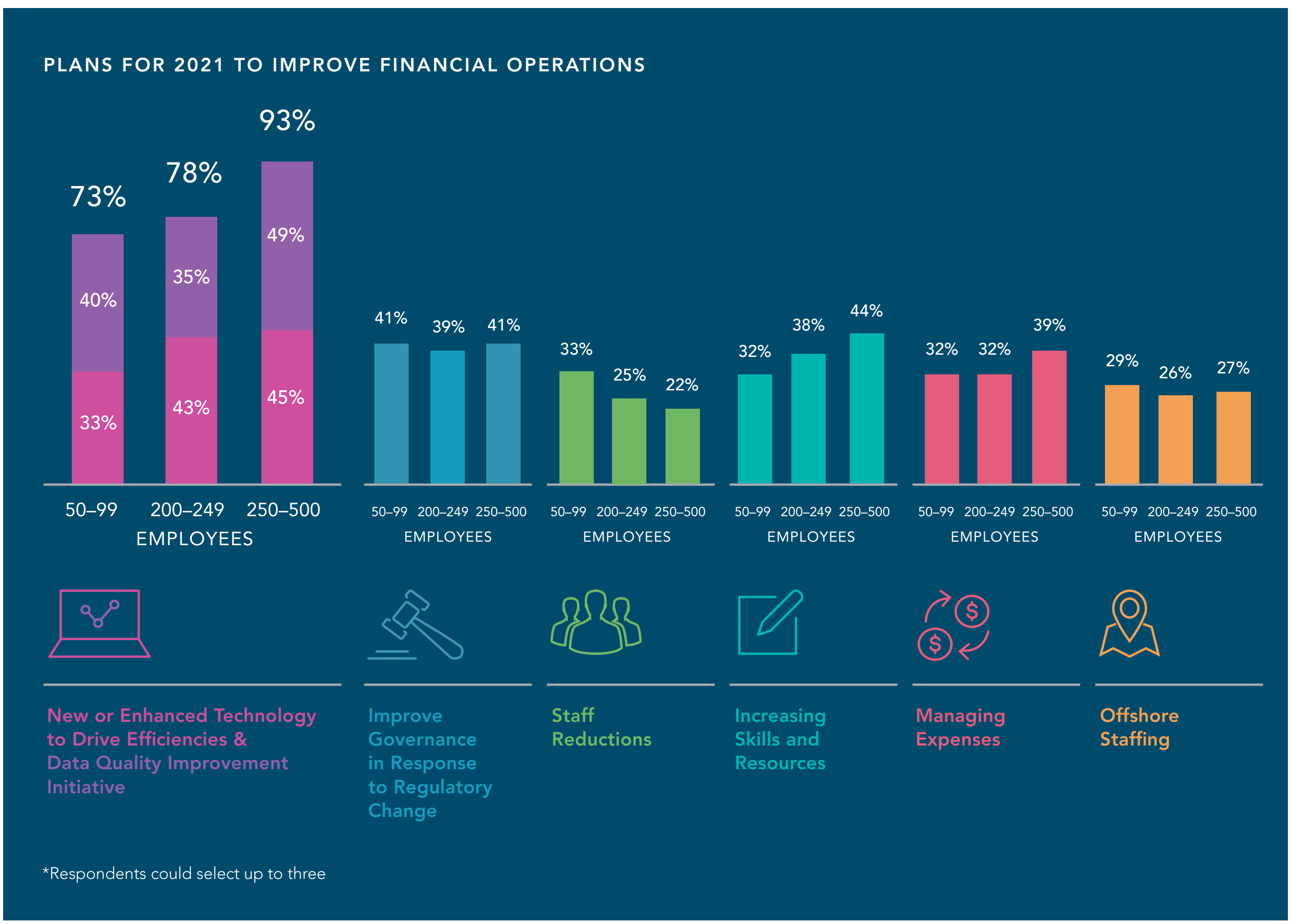
## PLANS FOR THE YEAR STARTING JANUARY 1, 2021 TO IMPROVE FINANCIAL OPERATIONS*


*Respondents could select up to three

Segmented by industry, respondents again gave high priority to technology and data-oriented initiatives as key parts of their plan for improving finance operations in the new year. They were at or near the top of the list for eight of the 12 industries surveyed. Combined, these two initiatives were selected as top priorities by over 80% of respondents in:


Survey data also showed that the percentage of respondents citing improvements to technology and data quality as part of their 2021 plans increased in direct proportion to the size of their companies.

In smaller companies, roles within the finance organization, such as credit manager, credit analyst, and data analyst, are often consolidated in one or two individuals. As companies become larger, the handoffs associated with functions such as data discovery, credit review/recommendation, and approval are carried out by a larger number of people. In current circumstances, with many finance teams continuing to work remotely with systems not designed for fully digital workflows, the urgency for technology upgrades and more reliable data is understandable.



CHAPTER 4

# Data Management and Forecasting Challenges

# Data Management and Forecasting Challenges

We have seen that CFOs and finance leaders are taking very seriously the potential for continued disruptive economic impacts from COVID-19, and that they are prioritizing and planning for enhancements to technology, data quality, and automation capabilities to help them manage those impacts.

Customer data is an obvious enhancement target for a host of reasons related to orders, fulfillment, payments, credit and forecasting. Yet, it's one of the areas that finance teams — hampered to varying degrees by lack of technological maturity — struggle with most. Fully 98% of finance leaders surveyed indicated that they struggle to manage customer data in one or more areas.

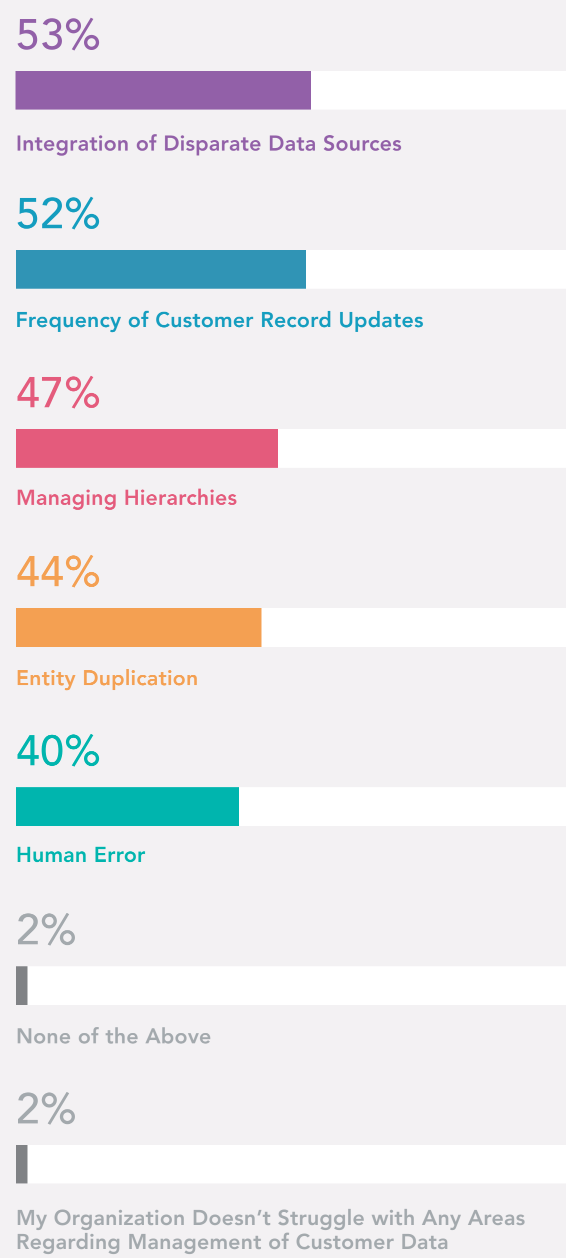
Across the survey, 53% of finance leaders indicated that "Integration of disparate data sources" is the customer data management aspect that they're most likely to struggle with. "Frequency of customer record updates" was also a key challenge, cited by 52% of survey respondents.

These responses reflect a common scenario where finance organizations primarily utilize legacy technology that is cumbersome, inflexible, and difficult to upgrade due to cost and lack of internal alignment. These legacy ERP systems weren't designed for the volume and velocity at which data flows into organizations today, or the explosion of different types and sources of data. The longer these organizations wait to tackle the problems engendered by legacy systems, the more resources are needed to address the continual influx of data and the rate at which that data becomes outdated.

The industry survey data showed that at least 48% of respondents in every industry — except Legal — come from finance teams struggling to integrate disparate sources of customer data. All the companies, regardless of size or annual turnover, struggle with "Frequency of customer record updates" as noted by at least 48% of respondents in each size and revenue bracket — suggesting that data latency is a major concern for respondents striving to understand and address customer needs in the context of disruption.

These problems in managing customer data are creating a variety of difficulties for the CFOs and finance leaders surveyed — from obtaining actionable insights, to sharing data across the organization, to generating insights with minimal manual work. This last issue was cited by 47% of all survey respondents as their leading challenge created by customer data within the company's financial operation.

**AREAS FINANCE ORGANIZATION STRUGGLE WITH MOST REGARDING MANAGEMENT OF CUSTOMER DATA***




*Respondents could select up to three

Among individual industries represented in the survey, 42% or more of finance leaders in nine out of 12 industries indicated that generating insights with minimal manual work is a main challenge. "Sharing data across the organization to inform decision making" was the top challenge for respondents in these six industries:

- **Education (51%)**
- **Finance (50%)**
- **HR (53%)**
- **Legal (45%)**
- **Manufacturing & Utilities (48%)**
- **Retail, Catering, & Leisure (48%)**

Here again, we see evidence of the limitations of the legacy systems being used by these finance professionals as they seek a more complete picture of who their customers are and what decisions should be made in doing business with them.

As noted earlier, forecasting is a key responsibility for finance organizations, and one that depends on reliable, high-quality data to be done effectively. When we asked finance leaders about their capabilities for working with customer data, we did so in large part because of the importance of this type of data in the forecasting process.

When survey participants were asked what would be most important for their companies to forecast in 2021, their answers suggested that their needs and priorities are nuanced and varied across regions, industries, and company size and revenue brackets. No one particular choice dominated the responses.

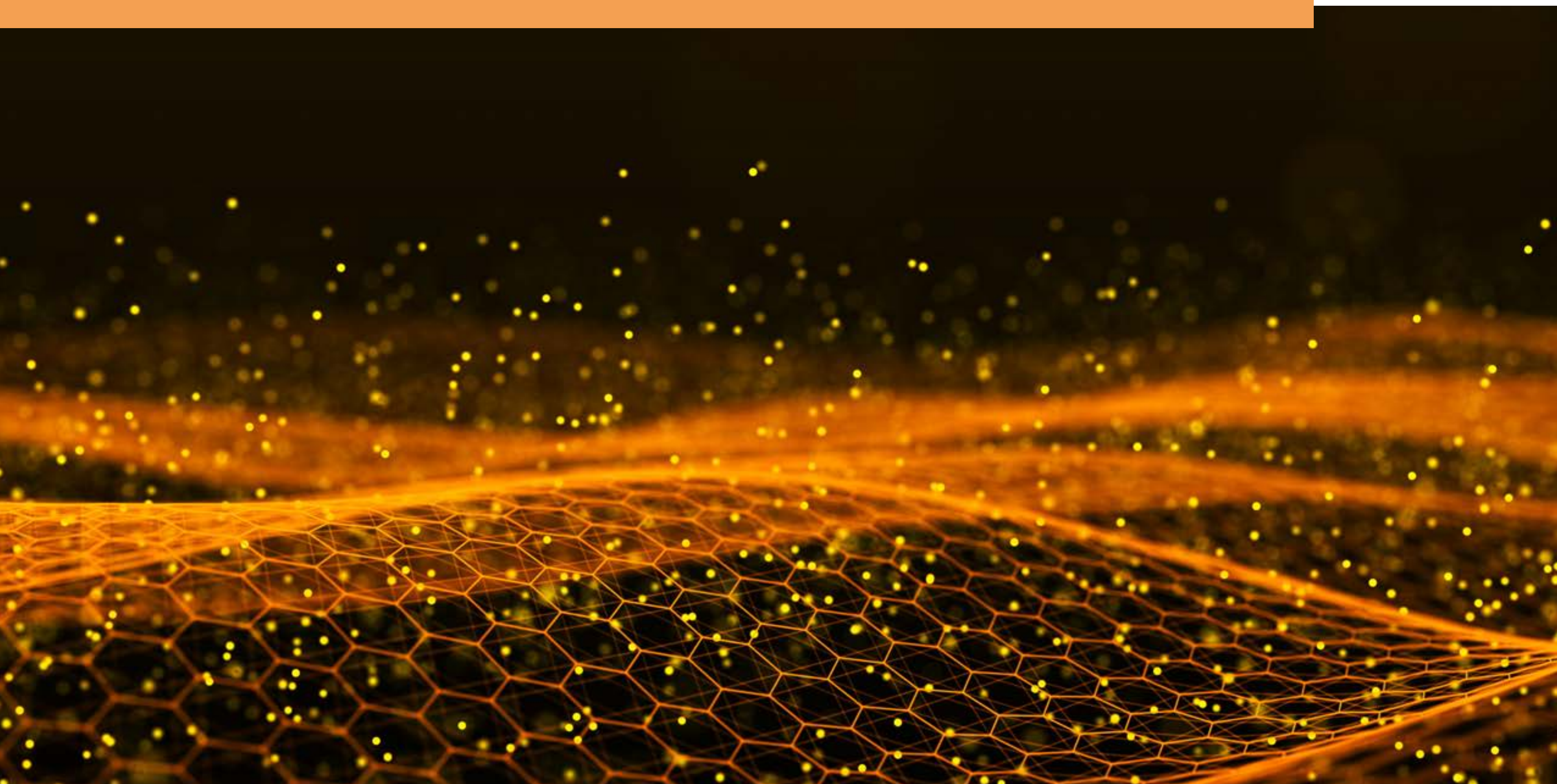
Surveywide, the most selected answer was "Customer demand for products and services", cited by 27% of respondents. Another high forecasting priority — unsurprisingly, given the work finance leaders have already done or plan to do to improve technology and data capabilities — is "Technology requirements", cited by 26% of all survey respondents.

### THE MOST IMPORTANT FOR YOUR COMPANY TO FORECAST IN 2021*

| | |
|---|---|
| 27% | Customer Demand for Products and Services |
| 26% | Technology Requirements |
| 24% | Capital Investment |
| 24% | Macroeconomic Risk |
| 23% | Identifying and Accessing Talent to Implement |
| 22% | Customer Portfolio Risk |
| 21% | Payments Landscape |
| 21% | Mergers & Acquisitions |
| 4% | Nothing in Particular Is Most Important to Forecast in 2021 |
| 0% | Other |

*Respondents could select up to three

The largest size companies in the survey (250–500 employees) and companies with revenue between $250 million and $1 billion all indicated that "Technology requirements" are near or at the top of their forecasting priorities.



CHAPTER 5

# Automation — Present and Future State

# Automation — Present and Future State

We learned earlier that CFOs and finance leaders we surveyed pursued automation of tasks over the past year as one of their primary responses to COVID-19-related economic disruption. The push for greater automation in the finance organization didn't start during the pandemic; CFOs had already been looking for ways to reduce time spent on processes such as close, consolidations, reporting, and payroll.[1] But COVID-19 brought new urgency to these initiatives.

As noted by Thomas Willman, finance advisory global practice leader at The Hackett Group: "Finance has had to transform in so many ways in 2020. What hasn't changed is that all of this work still has to be done; what has changed is that it has to be done away from the office. Finance professionals are exploring ways to increase automation and apply machine learning to identify patterns and make recommendations that previously would have required manual intervention."[2]

The CFOs and finance leaders responding to the survey appear to have already made significant investments in automation. A large segment of survey respondents — 40% — categorized their financial operations processes as "Mostly automated", and the second most popular response was "Completely automated" (28%). Fewer than 10% of respondents assessed their degree of automation as "Mostly manual" (7%) or "Completely manual" (1%).

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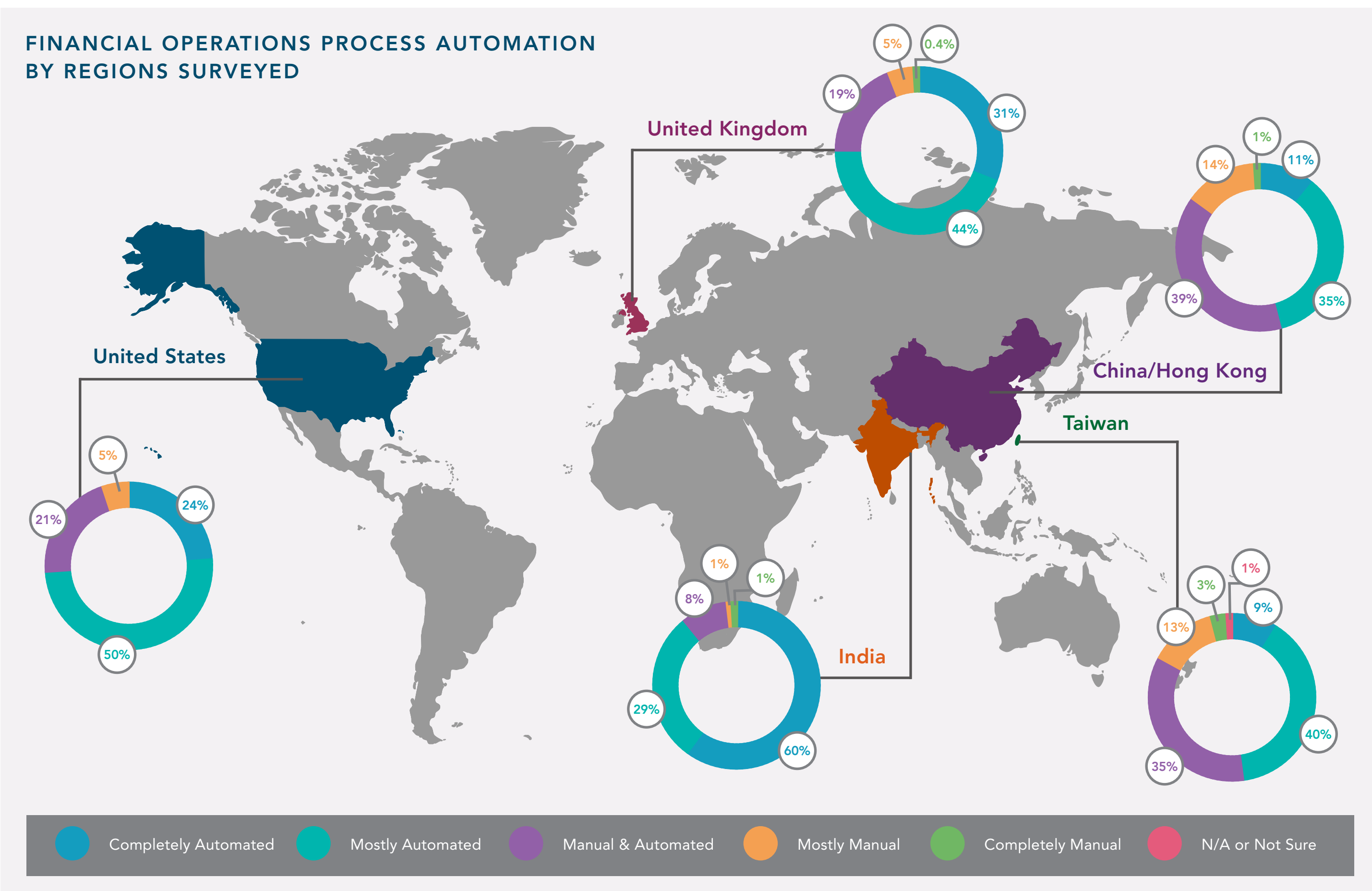


1. Steve Dunne, "How Intelligent Automation Will Transform the Finance Function," *Workday Blog*, 10 November 2020. Retrieved 21 January 2021 from https://blog.workday.com/en-us/2020/how-intelligent-automation-transform-finance-function.html
2. Ibid.

Although CFOs and finance leaders had indicated generally high levels of process automation in their organizations, the picture changed significantly when they were asked about automation in credit-to-cash processes.

The survey question asked specifically about these processes:

- Credit Decisioning and/or Credit Onboarding
- Objective Rules-Based Strategies to Manage Customer Portfolio
- Predictive Cash Forecasting
- Electronic Invoice Presentment and Payment (EIPP)
- Customer Contact Strategies

The predominant response, across the overall survey as well as within regions, industries, and size/revenue brackets, was "Mostly manual, some automation." There seems to be a lot of opportunity for CFOs across the globe to automate, or further automate, key aspects of credit-to-cash. A recent report from BCG (Boston Consulting Group) estimated that finance organizations could realize cost savings of 15% to 30% from drops in back-office effort, digital invoicing and cash application, and fewer disputes to resolve.[3]

Industries with higher levels of automation include IT & Telecoms and Retail, Catering & Leisure, which were the only two industries where the average percentage reporting "Mostly automated" credit-to-cash processes was over 40%. For IT & Telecoms, the average percentage reporting "Mostly automated" processes was 50%.

Automation levels of credit-to-cash processes were markedly lower for the highest-revenue companies surveyed; only 22% or fewer of the finance leaders from these companies reported that these five key processes were "Mostly automated" in their organizations.

There seems to be a lot of opportunity for CFOs across the globe to automate, or further automate, key aspects of credit-to-cash.

**CREDIT-TO-CASH AUTOMATION BY ANNUAL TURNOVER**

| Credit Decisioning and/or Credit Onboarding | Objective Rules-based Strategies to Manage Customer Portfolio | Predictive Cash Forecasting | Electronic Invoice Presentment and Payment (EIPP) | Customer Contact Strategies |
|---|---|---|---|---|
| MOSTLY AUTOMATED: | MOSTLY AUTOMATED: | MOSTLY AUTOMATED: | MOSTLY AUTOMATED: | MOSTLY AUTOMATED: |
| 47% | 40% | 39% | 46% | 41% |
| 44% | 47% | 40% | 44% | 43% |
| 20% | 19% | 20% | 22% | 19% |

$250 – $499.99 MILLION    $500 – $999.99 MILLION    $1 – $2 BILLION

3. Matthew Marchingo et al., "Order-to-Cash Platforms Are the Future," BCG, 30 July 2020. Retrieved 9 February 2021 from https://www.bcg.com/publications/2020/order-to-cash-platforms-are-the-future

We've seen that CFOs and finance professionals in this survey acknowledge that expanding automation in their organizations is a high priority, and that they've made progress in some areas but not others (looking at you, credit-to-cash). When they were asked about other finance processes that have good potential to be automated in 2021 and beyond, the number one pick surveywide was "Cash application" (41%). That's not surprising; cash application is considered critical for maintaining a company's cash flow but is often plagued by errors and requires many hours of manual effort to apply payments properly.

THE MOST POTENTIAL TO BE AUTOMATED IN 2021 AND BEYOND*


*Respondents could select up to two

In nine of the 12 industries surveyed, at least 40% of respondents chose cash application as having significant automation potential. And it was the unanimous first choice in all company size and revenue brackets for automation potential in 2021, by at least 40% of respondents.

CHAPTER 6

# Conclusion

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The events of the previous year upended billions of lives and forced most businesses to make fast and dramatic changes to the way they operate. Businesses were also compelled to take stock of their existing processes, re-evaluate the risks arising from internal and external disruption, and make strategic decisions to help them meet customer needs in better and faster ways.

Strenuous responsibility for these initiatives has fallen on CFOs and finance teams. As the guardians of the financial health of the business, finance leaders have had to leverage the lessons of the pandemic and address many newly revealed shortcomings in business processes while managing through a constantly evolving global emergency of unknown duration.

Quite a few of the shortcomings that create obstacles for finance teams were highlighted in this survey. Economic volatility and uncertainty mean that speed, accuracy and visibility are absolutely imperative in ways that they may not have been until COVID-19. But operational efficiency is hampered by poor visibility as well as by the persistence of manual, labor-intensive processes that increase the likelihood of human error and drive up costs.

Finance teams are increasingly turning to innovative automation technologies to help them surmount these difficulties. In this survey, they've told us that they have made implementations in some areas. But there are still opportunities for progress, especially within the credit-to-cash cycle. They also need better solutions for managing data, which will enable them to solve some intractable problems, such as integrating data from disparate sources, maintaining customer records, and streamlining payments.

Better data solutions include better data analytics and analytic rigor in the context of the changing environment. The pandemic drove home the importance of data analytics for generating insights that help finance leaders manage various risks — such as macroeconomic and credit risk — and improve forecasting capabilities.

As circumstances shift, CFOs will be asked to provide guidance to their internal and external stakeholders, including other C-level executives. To do this, they'll need to identify the right systems and tools to improve efficiency and create accurate, real-time strategic insights in a rapidly changing business landscape.

Dun & Bradstreet can help, with data management, analytics, automation solutions, and experience that empower finance leaders to rebound from this crisis with better capability to meet the next one.

Learn more at https://www.dnb.com/solutions/finance-credit-risk.html.

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