CFO SURVEY REPORT — **WHY OPTIMISM ABOUNDS**

INTRODUCTION

In spite of 2020's challenges—and maybe, partly, because of them—CFOs are optimistic about the future. That's one of the surprising conclusions drawn from recent research into the use of technology in finance departments.

The survey, conducted by CFO Research in partnership with AppZen, engaged with over 200 CFOs, senior finance executives, and CEOs about how they are using automation to meet finance objectives, the benefits they perceive, and where they might find success in future adoptions. The findings show glaring levels of inequality in the technology used and the benefits gained, as well as some interesting insights about the adoption of technologies such as automation and artificial intelligence.

In this report you'll learn about:

- **The dynamic landscape that is technology adoption within the finance department**
- **How optimism is being fueled by technology investment**
- **Which finance functions are successfully moving from manual to automated**
- **Key trends and insights that will influence the technology-savvy CFO in 2021 and beyond**

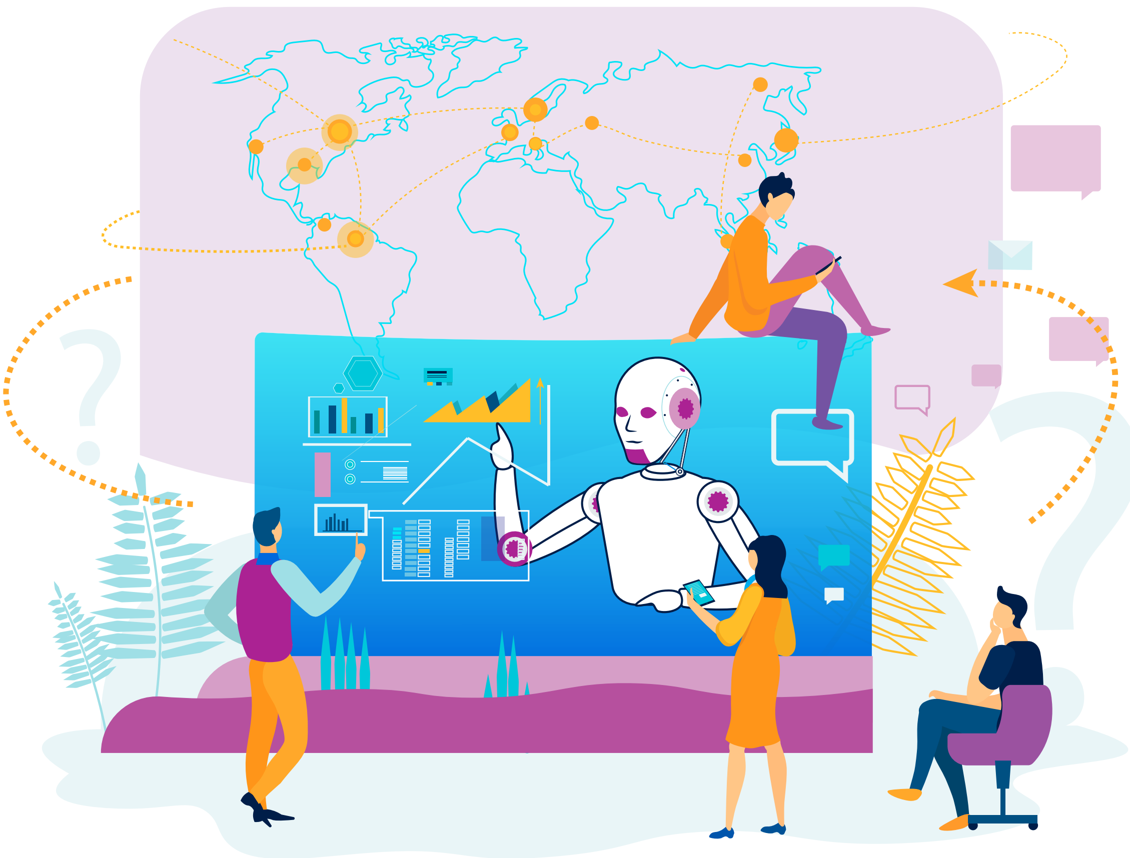
KEY FINDINGS

Optimistic CFOs: Most of the surveyed executives (61%) remain optimistic about the future, expecting growth in 2021.

Goodbye Manual Processes: Reducing manual, time-consuming processes was a priority for 90% of the executives.

Tech Regrets: The surveyed executives expressed regret for not investing more in advanced analytics, AI, blockchain, distributed ledger technology, machine learning, and robotic process automation across the past five years.

C-Suite Challenge: The top challenge for digital transformation projects is support from C-suite executives, such as CEOs and chief information officers.

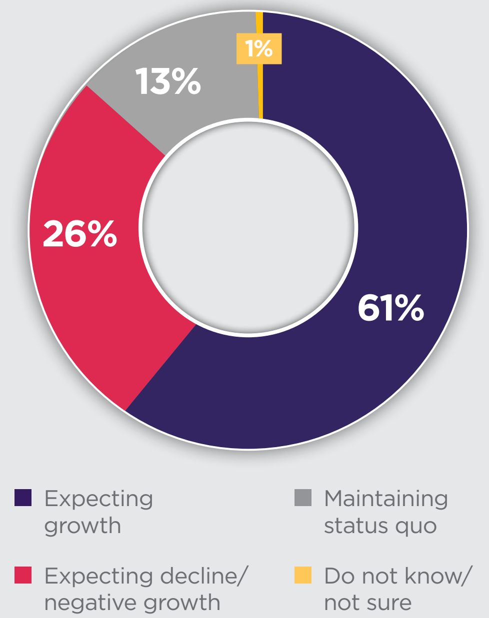


CFO **OPTIMISM**

The research found that CFOs overall are optimistic—61% of the executives polled expected growth in 2021, with an additional 13% expecting to maintain the status quo. One possible reason for the optimistic outlook is the acceleration of digital transformation initiatives in 2020 due to the pandemic—as reported by nearly eight out of 10 of the survey respondents.

The bulk of those optimists are the early adopters of AP automation and AI, who can now focus their attention on better leveraging those technologies, investing in AP intelligence and advanced analytics. Nearly six out of 10 survey respondents (57%) said they were either currently adopting AP automation or planning to within 18 months.

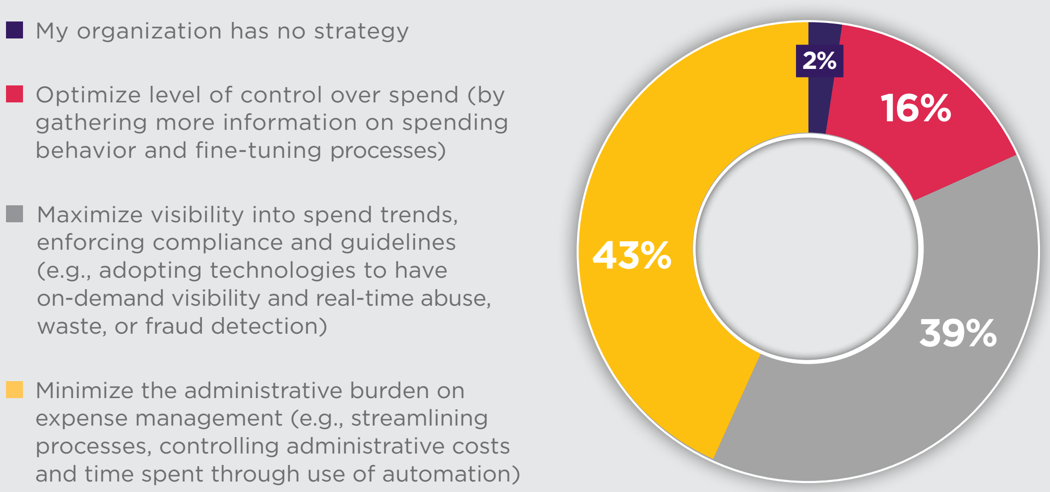
WHAT IS YOUR ORGANIZATION'S BUSINESS OUTLOOK FOR 2021?



Those who expect to experience negative growth in 2021—about 25% of respondents—are more focused on cost savings than long-term investment. Existing disparities will only be exacerbated in the coming months as companies that have invested in digital transformation continue to extract more value from the finance function.

When asked about broad strategies their organizations might adopt for improving expense management in the next 12 to 18 months, 43% of the surveyed executives said they were likely to minimize the administrative burden. This might include using automation to streamline processes, control administrative costs, and reduce administrative time spent on expense management. A slightly smaller percentage (39%) foresaw a strategy of maximizing their visibility into spending trends and enforcing compliance and guidelines. Examples of this strategy include adopting technologies that provide on-demand visibility and real-time detection of waste, fraud, and abuse.

WHICH OF THE FOLLOWING BROAD STRATEGIES FOR IMPROVING EXPENSE MANAGEMENT IS YOUR ORGANIZATION MOST LIKELY TO ADOPT IN THE NEXT 12-18 MONTHS?



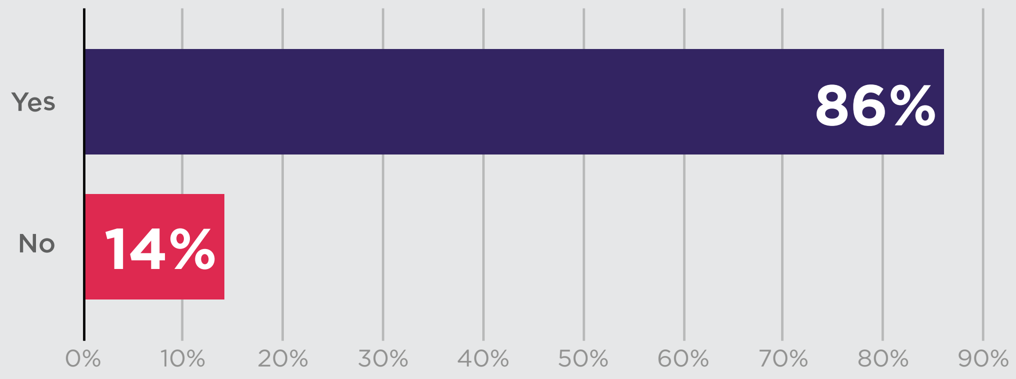
WORK FROM HOME: **THE DIGITAL TRANSFORMATION ACCELERATOR**

Embracing digital transformation has been imperative for businesses to weather the COVID-19 crisis, and a continued focus on adopting digital technologies will allow organizations to thrive in the wake of the pandemic.

Nearly three in four CFOs plan to shift at least 5% of previously on-site employees to permanently remote positions in the post-COVID-19 environment, according to **Gartner**,[1] adding to the cost-cutting that CFOs had already enacted or are planning.

For the executives surveyed, the COVID-19 pandemic presented an opportunity to leverage digital solutions like automation and AI to mitigate the adverse economic impacts of the pandemic. A massive 86% of survey respondents said they accelerated their digital transformation projects in 2020, and 79% said that the COVID-19 pandemic forced their organizations into those accelerations.

MY ORGANIZATION HAS ACCELERATED OUR DIGITAL TRANSFORMATION INITIATIVES IN THE LAST 12 MONTHS.

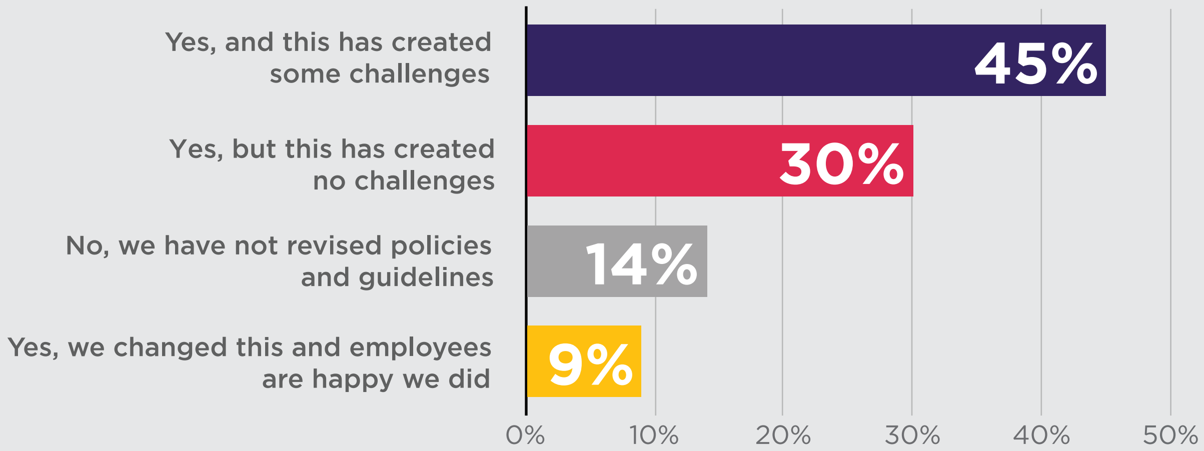


1 https://www.gartner.com/en/newsroom/press-releases/2020-04-03-gartner-cfo-surey-reveals-74-percent-of-organizations-to-shift-some-employees-to-remote-work-permanently2

The pandemic also seemed to act as a catalyst for other changes for finance departments:

- Nearly nine in 10 (86%) of the surveyed executives said their organizations had revised expense policies and guidelines within the last 12 months.
- Three out of 4 of the respondents said their organizations now allowed employees to expense work-from-home costs like internet access, cell phone bills, desks, chairs, computers, office supplies, and printers.
- Leveraging digital solutions also came to the rescue for finance executives expected to meet other increasing demands: 86% of the survey respondents said that CFOs were more frequently expected to deliver real-time, accurate, granular data to their CEOs and board members after COVID-19 hit.

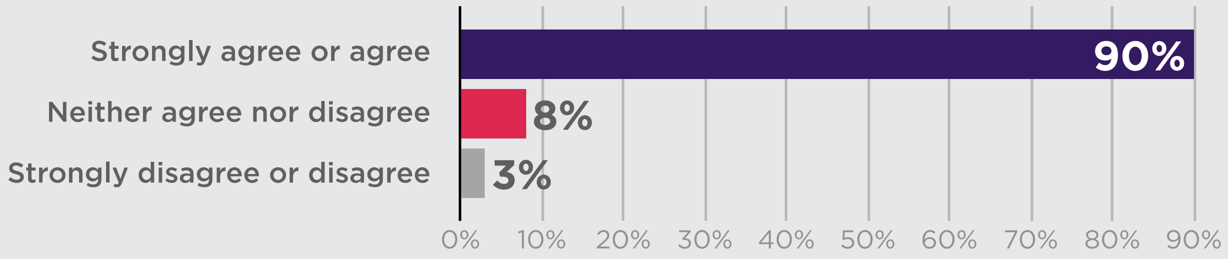
HAS YOUR ORGANIZATION REVISED ITS EXPENSE POLICIES AND GUIDELINES IN THE LAST 12 MONTHS?



FINANCE TECHNOLOGY: **AUTOMATION THE #1 PRIORITY**

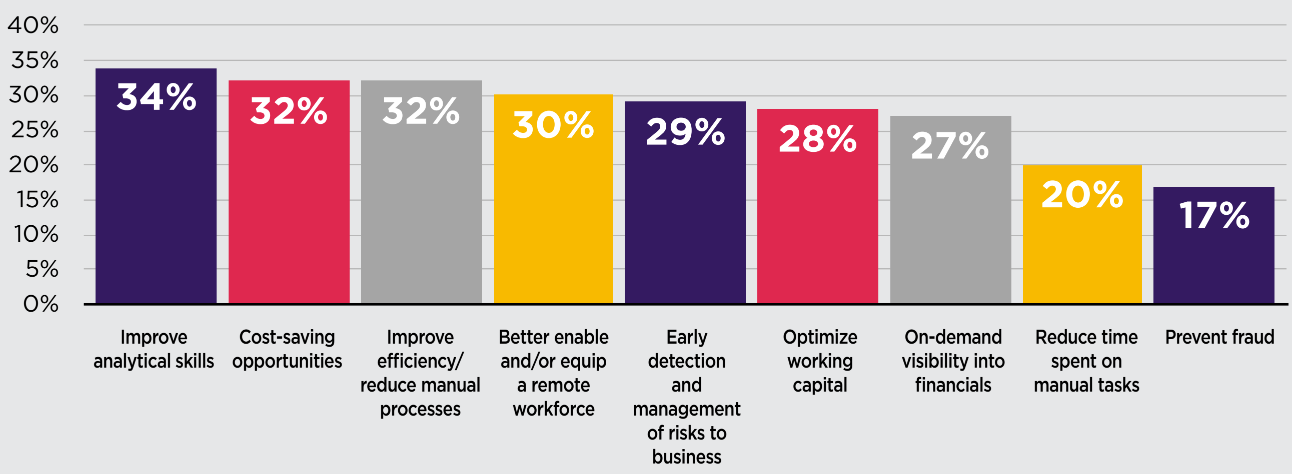
The research found broad support for reducing manual processes and improving analytics, with 90% of respondents agreeing that reducing manual, time-consuming processes was a priority.

REDUCING MANUAL, TIME-CONSUMING PROCESSES IS A PRIORITY FOR ME AND MY ORGANIZATION



For 51% of the surveyed executives, improving efficiency, reducing manual tasks (32%), and reducing time spent on manual tasks (19%) were top priorities for finance—allowing them to support business continuity and resilience at their organizations. Improving cost savings opportunities was a top priority for only 32% of the respondents.

WHAT ARE THE TOP THREE PRIORITIES FOR YOU AND YOUR FINANCE FUNCTION TO SUPPORT BUSINESS CONTINUITY AND RESILIENCE AT YOUR ORGANIZATION?



The research also showed strong support among the executives for advanced audit and control solutions: 78% said it was important for their organization to have an advanced expense audit and control solution leveraging the latest technologies to provide robust, accurate, on-demand data with real-time identification of abuse, misuse, waste, or fraud.

However, the expressed interest of the surveyed executives in advanced audit and control solutions didn't match up with the systems currently in operation. Only 46% of the respondents' systems for expense audit and control were highly automated—providing them with complete control and visibility, and real-time data and reporting. This compares to the 43% that were somewhat automated—those solutions having gaps in reporting, fraud detection, or data visibility.

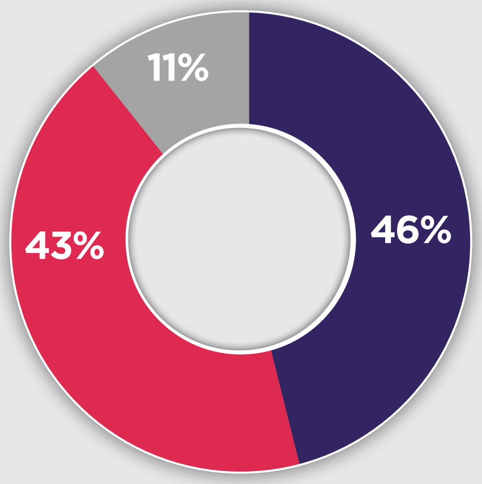
Finally, 11% described their audit and control functions as primarily manual, with little or no automation, AI, or machine learning.

Overall, even with the widespread support for investment in digital transformation among the CFOs, CEOs and other senior finance executives in the survey, there appeared to be much room for improvement.

The research showed 72% said their finance team spends more time policing expense reports than analyzing expense trends and areas of improvement. And, 87% said it would take their finance team more than one hour to compile data on expenses for the last year and provide an overview on expenses with trends and data on potential abuse, misuse, waste, or fraud.

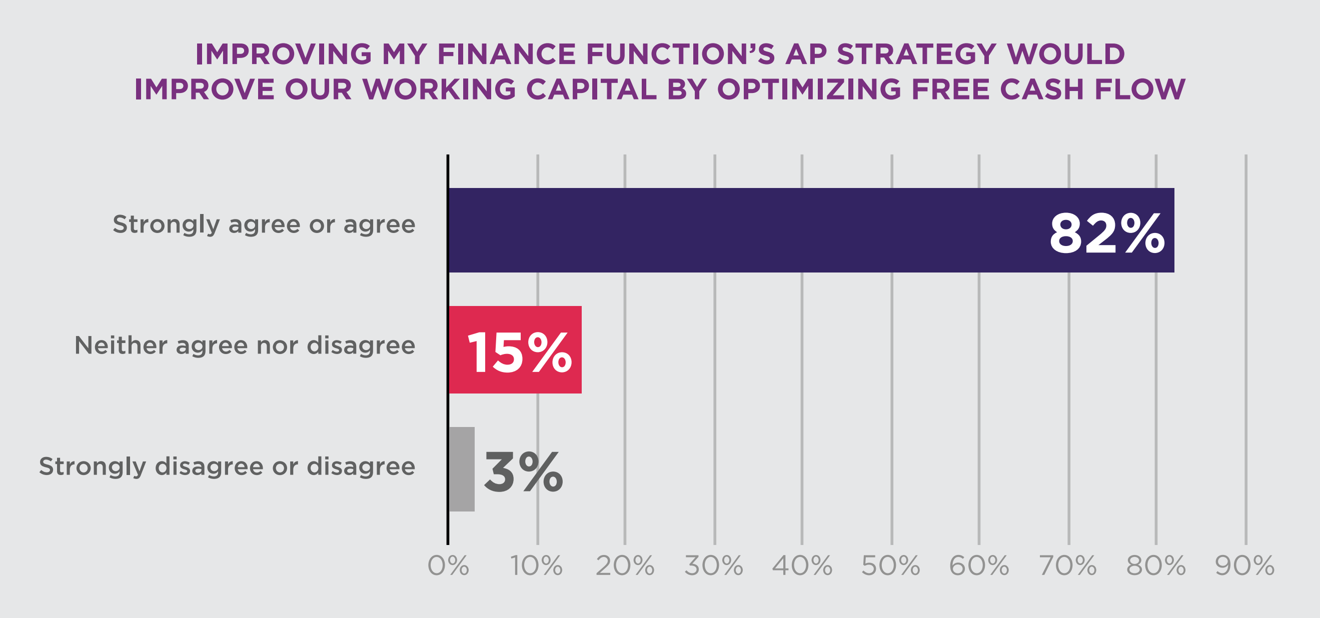
WHICH OF THE FOLLOWING STATEMENTS BEST DESCRIBES YOUR ORGANIZATION'S SYSTEMS FOR EXPENSE AUDIT AND CONTROL?

- Highly automated: we have adopted the latest technologies to have complete control and visibility with real-time data and reporting
- Somewhat automated: we have a solution that has some gaps in either the reporting, fraud detection, or data visibility
- Primarily manual: we have little to no solution that leverages the latest in artificial intelligence or machine learning, and we rely heavily on manual processes



STILL ROOM FOR IMPROVEMENT WITH **ACCOUNTS PAYABLE AUTOMATION**

Adopting accounts payable automation would further help foster a remote workforce and reduce error-prone manual processes, according to 81% of the respondents. In addition, by improving the AP strategy, 82% of the respondents said their working capital was improved by optimizing free cash flow—a huge priority for many companies in the wake of the pandemic.



The surveyed executives were asked about their automation levels for certain steps in invoice processing. One out of five of the respondents reported 100% of their invoices were automated for the validation step—confirming that invoices were legitimate. Ingestion and extraction of key fields had only 12% of respondents achieving 100% automation coverage in this area.

AI-based invoice processing and expense auditing were two areas of weakness for financial automation that were exposed in the survey. Only 41% of the respondents currently automate ingestion and extraction of data from invoices, while 44% of organizations still take seven or more days on average to process an invoice.

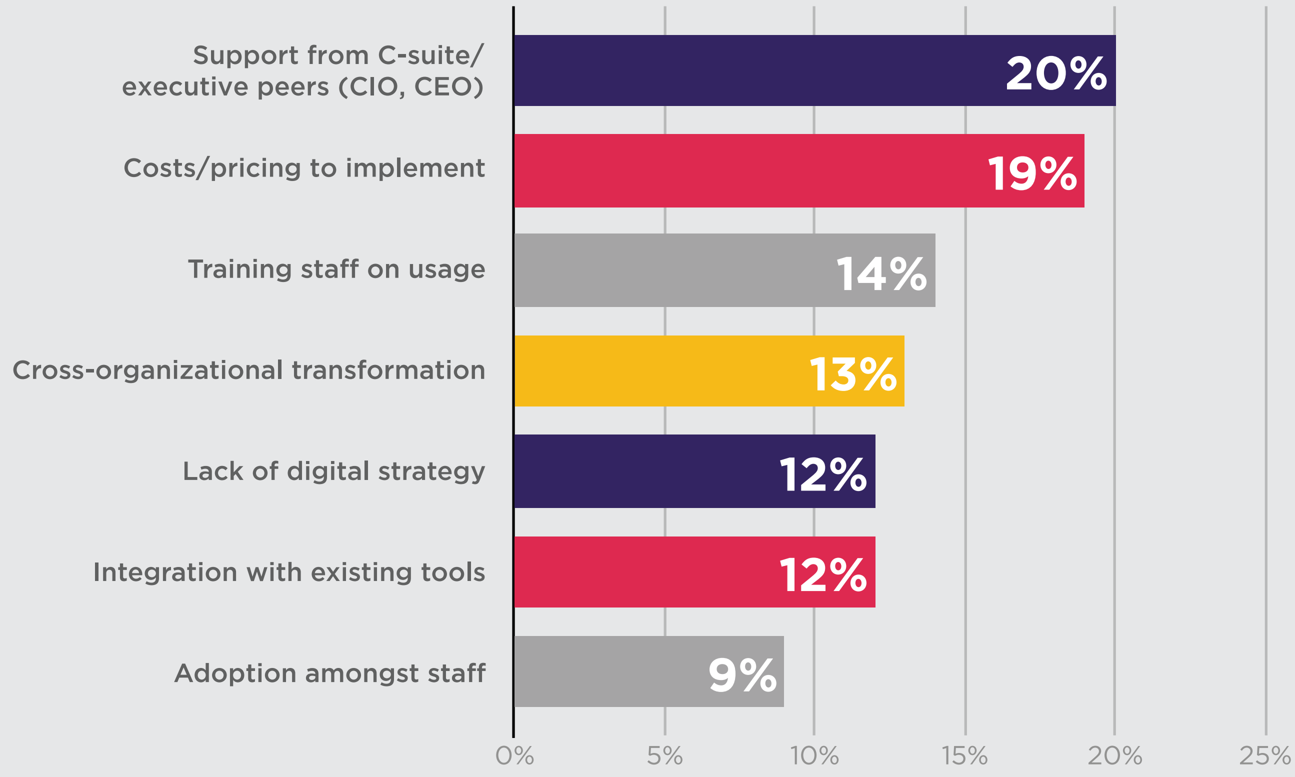
This is a far cry from the 2.9 days recorded by organizations with more proficient automated processes. Only 15% of the executives said they processed invoices within three days, on average.

WHAT'S THE HOLDUP?

What's hampering progress for these companies?

With the abrupt transition to remote work and the unexpected economic downturn in 2020, financial departments may have had difficulty developing and implementing a clear, long-term vision and strategy. CFOs who needed to cut spending quickly had to resort to reactionary measures instead of deliberate, well-thought-out initiatives.

WHAT HAS BEEN THE TOP CHALLENGE WITH DIGITAL TRANSFORMATION PROJECTS AT YOUR ORGANIZATION?

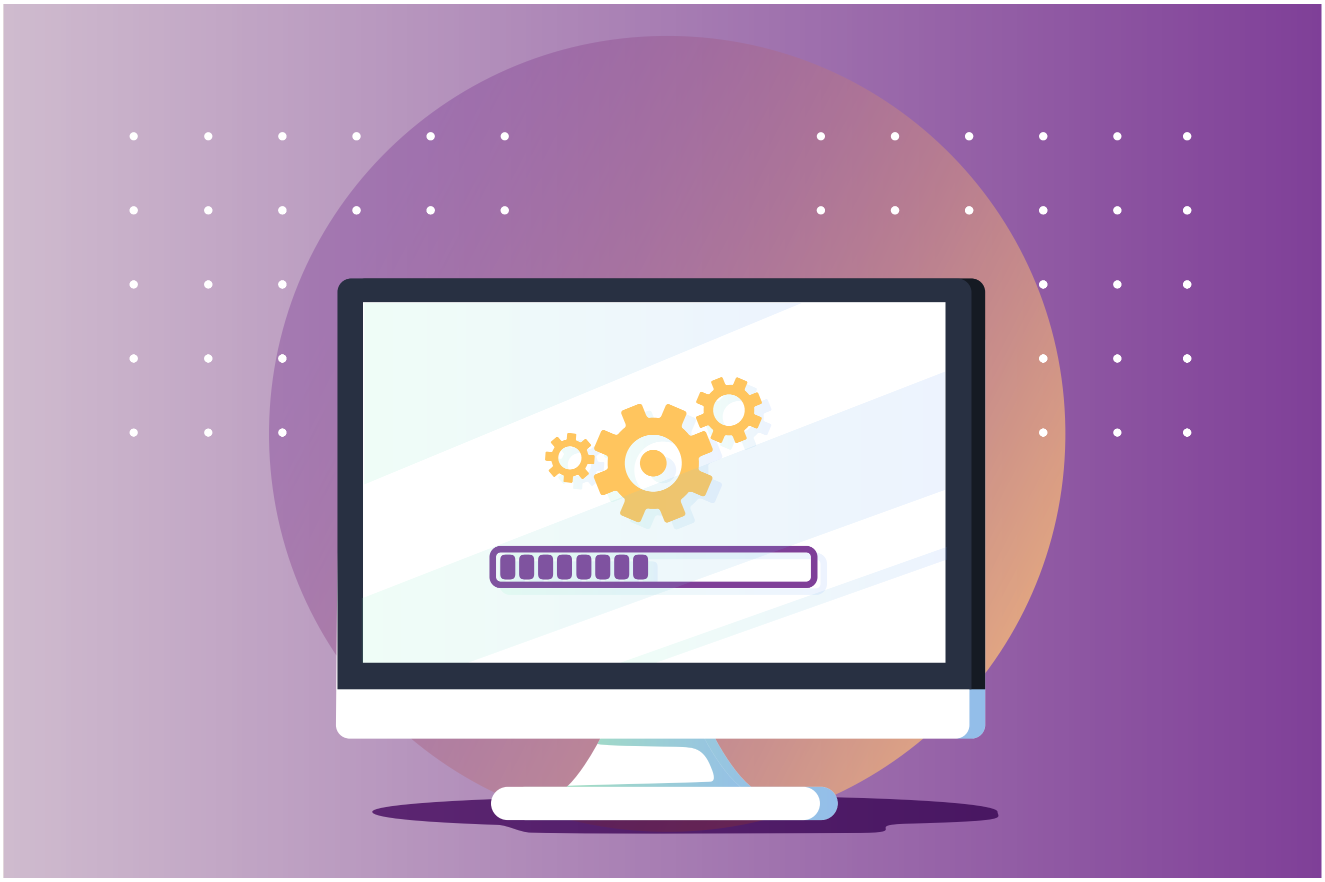


According to the research, the top challenge for digital transformation projects is support from C-suite executives, such as CEOs and chief information officers, as cited by 20% of the respondents.

This is somewhat unexpected, considering how IT offered a lifeline to organizations needing to work remotely during the pandemic. As mentioned previously, nearly nine out of 10 survey respondents said they accelerated their digital transformation projects in 2020, and nearly eight out of 10 said that the COVID-19 pandemic forced their organizations into those accelerations.

The lack of support from the C-suite is particularly worrying, given the large number of organizations that accelerated transformation efforts in the past year. If these projects do not ultimately have the support of the C-suite, are they destined to fail?

CFOs must play an increasingly important role in all digital transformation. In the eyes of the surveyed executives, CFOs are taking the lead over CEOs and chief information officers on digital transformation projects by proposing and identifying solutions, as well as managing the evaluating, selecting, implementing, and monitoring-after-implementing stages. The only stage of digital transformation projects where CFOs took a back seat to CEOs and CIOs was in identifying areas of improvement, the respondents said.



THOSE NOT INVESTING **ARE FALLING BEHIND**

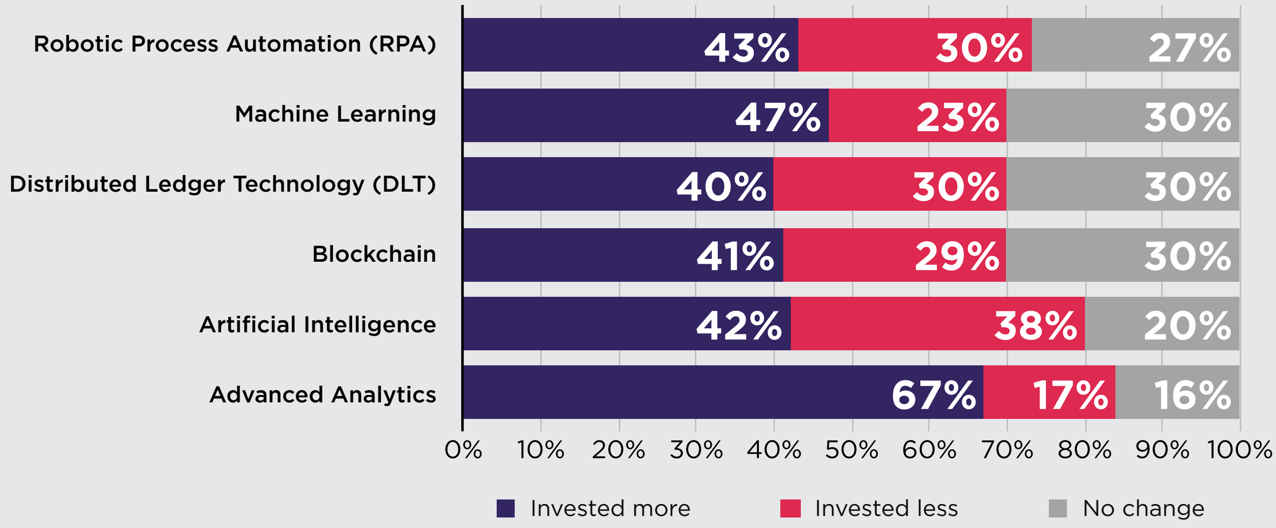
The technology adoption gap is large in finance departments, and it is growing.

Companies that have already adopted and mastered the basics of automating invoice processing and expense management are now focusing their investment on emerging key areas that could boost business success, including advanced analytics, AI, and RPA.

More surveyed executives wished they had invested more in finance technologies over the last five years, versus investing less or not changing their allocations. That sentiment was true for every technology presented in the survey: advanced analytics, AI, blockchain, distributed ledger technology, machine learning, and RPA.

Advanced analytics was the strongest regret, with 67% of the respondents saying they would have invested more in the technology in hindsight.

IN HINDSIGHT, HOW WOULD YOU HAVE CHANGED YOUR TECHNOLOGY INVESTMENTS OVER THE PAST FIVE YEARS?



Machine learning in AP automation helps CFOs better understand vendor payment risks, forecast future spending increases or decreases, and detect the statistical probability of invoice anomalies and fraudulent expenses. Those CFOs that did not invest in this are realizing their mistake — with 42% of the respondents highlighting AI and machine learning as a missed opportunity for investment.

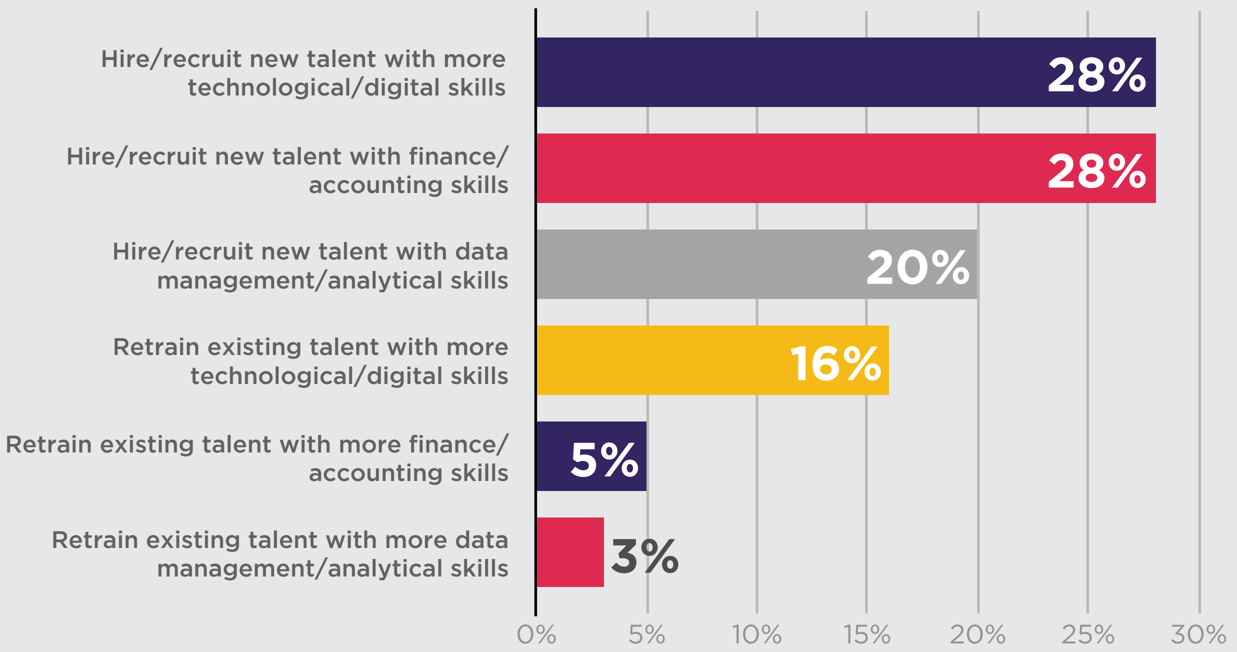
These responses highlight the gap between what CFOs recognize as beneficial and what their companies have actually implemented. Financial leaders may now have the hindsight to recognize that favoring short-term cost-cutting over long-term strategy has resulted in their organizations falling behind in certain areas, but bridging the gap will only become more difficult as early investors in these technologies continue to pull ahead.

THE CHANGING SKILLSET **IN FINANCE TEAMS**

The research also identified how CFOs are looking to structure their teams in the future.

The two most popular strategies for the next 12 to 18 months are to hire and recruit finance talent with more technological skills, and to locate those with finance and accounting skills — both receiving 28% of the respondent votes. In the Auto, Industrial, and Manufacturing industries, the balance tips ever further toward technology skills (38%) over finance and accounting skills (8%).

PLEASE INDICATE WHICH OF THE FOLLOWING BEST DESCRIBES YOUR TALENT/ HIRING STRATEGIES FOR THE FINANCE FUNCTION AT YOUR ORGANIZATION FOR THE NEXT 12-18 MONTHS.



WHY ARE CFOs VALUING **TECH SKILLS SO HIGHLY?**

As finance teams increasingly apply technology solutions, CFOs look to add digital and technology capabilities to their teams directly, giving them even more control over their systems and reducing the need for IT involvement. CFOs increasingly need tech-savvy finance teams capable of employing analytics, as reflected by 34% of the survey respondents citing improving analytical skills as a top priority for the year.

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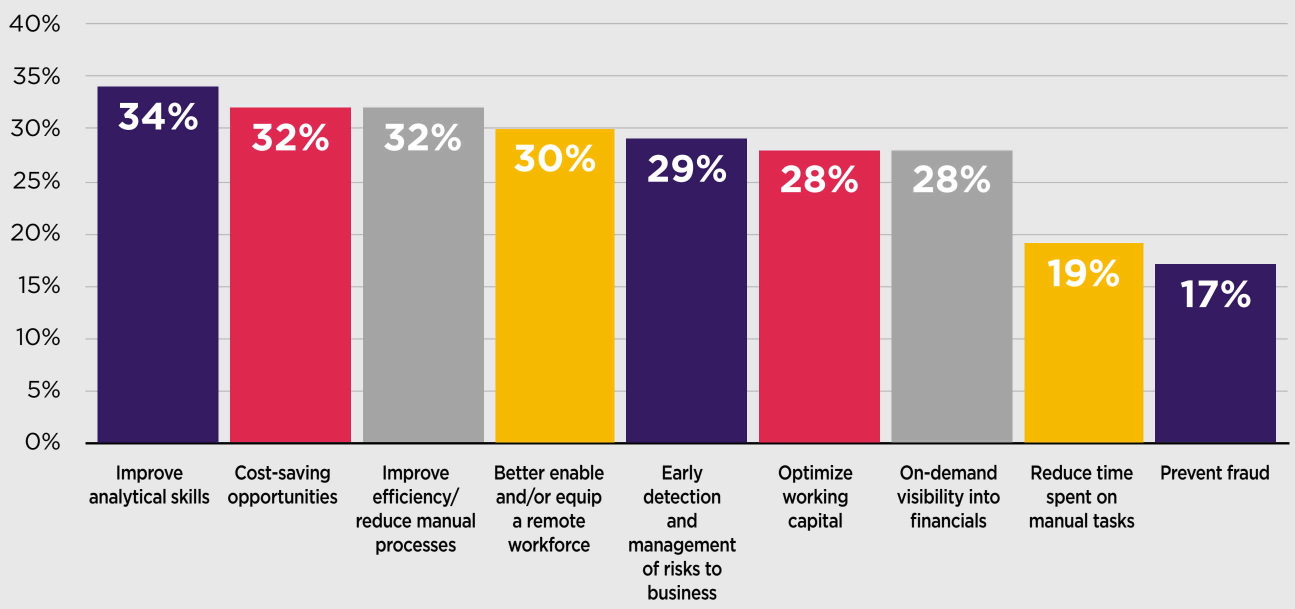

CONCLUSION

CFOs must take care as they plan and execute finance technology investments. While the survey found near unanimous support for reducing manual processes and improving analytics, it also revealed gaps. The fact that less than half of the surveyed executives' systems for expense audit and control were highly automated, as well as weaknesses in their AI-based invoice processing and expense auditing, are both now areas for focus.

RECOMMENDATION — Explore automation and intelligence (AI & ML) technology for expense and AP systems to achieve productivity gains and cost savings in these areas. IN ACTION — Look for platforms that can deliver multiple solutions as opposed to single solutions for the best long-term returns.

The surveyed executives have regrets about failing to have invested more in advanced analytics, AI, blockchain, distributed ledger technology, machine learning, and robotic process automation five years ago, but the survey also indicates that most are stepping up to the plate now, especially when it comes to AP automation.

RECOMMENDATION — Identify finance technology such as predictive analytics and on-demand benchmarking that complement existing systems. The requirement to rip and replace old systems is costly and complex — explore systems that can plug and play with existing infrastructure. IN ACTION — See immediate results and ROI without completely overhauling your existing tech stack.

CFOs may also have to deal with some internal politics when it comes to employing new technologies. With the lack of enthusiasm for digital transformation projects emanating from other C-suite executives, and with CFOs increasingly taking the lead over CEOs and CIOs on most stages of these projects, it would seem that the C-suite could become the battleground where CFOs must assert their leadership to push finance technology advancements through for their companies.

RECOMMENDATION — Deploy technology that benefits finance first — using AI and analytics to streamline areas such as custom expense policy management and AP automation. This will benefit the finance team's effectiveness and productivity and position the CFO as an innovative, results-focused executive. IN ACTION — Technology that can automatically extract and validate data and flag only items that need attention means your team will no longer spend time manually approving every single expense or invoice and can instead focus on high-value work.

However, the majority of CFOs are optimistic about the growth prospects for their organizations in 2021, giving partial credit for that optimism to the digital transformations that were triggered directly by the COVID-19 pandemic. These finance leaders have already made significant investments in advanced technologies such as automation and AI. They will also continue to deepen spend in areas including analytics and autonomous systems, as well as looking to diversify the skillset in their teams to increase native digital capabilities.

As the technology early adopters reap the benefits from their investments in digital transformation — such as optimized free cash flow, decision-making agility, and reduced costs — the gap will widen between them and companies that are late to adopt. This, in time, will deliver huge competitive advantages to those organizations lucky enough, or strategic enough, to have a technology-savvy CFO on board.