

WHITEPAPER

## CFO 3.0 – Digital Transformation Beyond Financial Management

*Preparing the finance function in the wake of COVID-19*



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# Executive summary

## What a difference a few months make.

We were already witnessing a shift in the CFO's responsibilities before the outbreak of the Coronavirus. Senior financial decision-makers were starting to appreciate the value that modern financial management solutions delivered at a time when everything seemed to be changing: the nature of business, end-users, employees, customer expectations, and digital tools.

And then the pandemic happened, accelerating digital transformation and amplifying the associated challenges – especially those around governance, remote working and cyber security.

The Sage CFO 3.0 research was perfectly timed, especially for South Africa – the first Sage region to survey CFOs and other senior financial decision-makers about the impact of COVID-19 on their business operations.

The results were encouraging, especially in the current economic climate.

Yes, senior financial decision-makers acknowledge that managing a remote workforce and leading a business through lockdown and social distancing is weighing on their minds. That's understandable, since the world hasn't seen disruption on this scale before.

But what interested us most was the confidence among CFOs that had already invested in cloud-based financial management technology and prioritised digital transformation before COVID-19. Some of these businesses even grew through the crisis.

In trusting technology to automate much of the finance function and allowing data to change the dynamics of decision-making, most of the senior financial decision-makers we surveyed said they actually had time to focus on digitisation to help shape business strategy and drive growth.

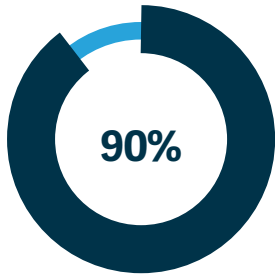
One thing is clear: Today's CFOs are transforming into real-time analysts, and they're part of a C-Suite force leading the digital transformation agenda in their organisations.

Those that ride the technology wave will have an easier time of leading through uncertainty and driving digital transformation.

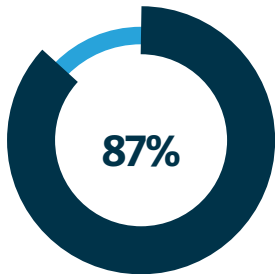
That's because the modern CFO will need to be versatile – marrying accounting, analytical, business, and strategic-thinking skills into one package. It will be a rare combination, but the job is no longer just about number crunching. Armed with powerful data and emerging technology, senior financial decision-makers are poised to be agents for change. And most of them already know this.

Welcome to the era of CFO 3.0.

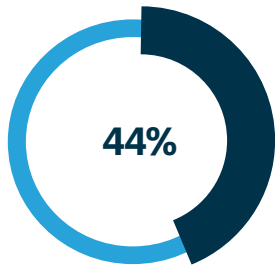
# Key findings



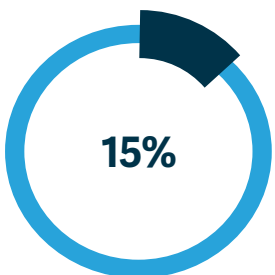
90% of senior financial decision-makers have adopted emerging technologies in some form.



87% of CFOs play a role in digital transformation and say that emerging financial management technology is key to success in their role.



44% of businesses said COVID-19 increased demand for their services, and 78% reported revenue growth in recent months.



15% of businesses said the CFO drives the digital transformation agenda, not the CIO.

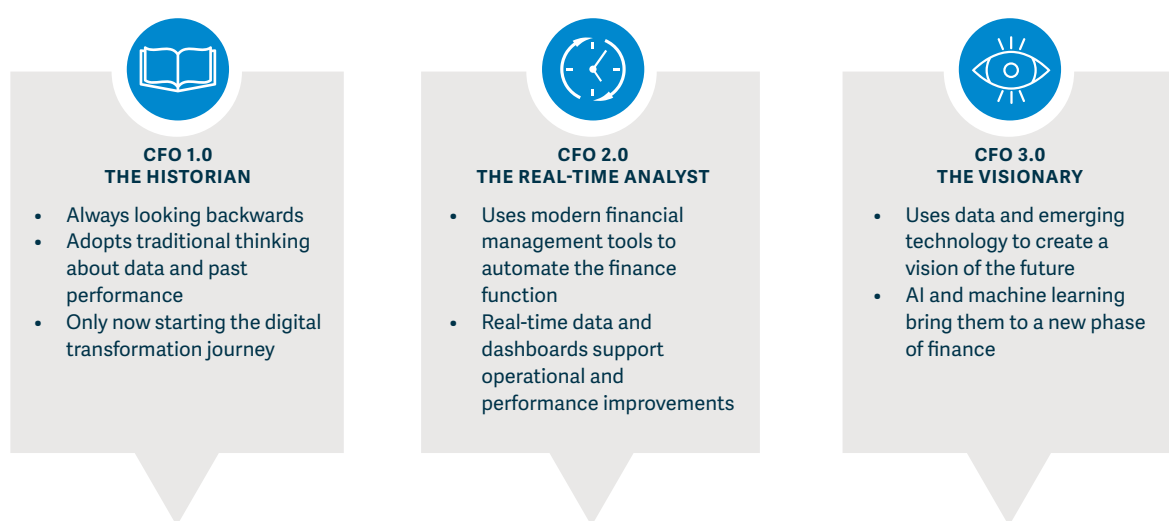
Our research reveals a radical new remit for senior financial decision-makers as drivers of strategic change and visionaries of the future. Supported by advanced technologies, they're confidently leading the digital transformation agenda within their organisations.

**This is CFO 3.0.**

# Changing the role of the CFO

CFOs face new complexities as a result of the COVID-19 pandemic, including managing a remote workforce as well as an expanding security and compliance mandate.

In fact, we're witnessing the third major evolution in the role of senior financial decision-makers.



The first "edition" of the CFO focused mainly on keeping the company books up to date and reconciling profit and loss. Financial reporting was about showing what happened yesterday, rather than forecasting potential. They were always looking in the rear-view mirror while trying to provide guidance for the future. But it's hard to see where you're going if you're always looking behind you.

Then came CFO 2.0, the senior financial decision-makers who analyse data in the present using automated finance processes, financial management technology and sophisticated data sets. Today, most companies exist in a state of CFO 2.0 but, by living in the present, they can at least see the road ahead of them.

Enter CFO 3.0, a new era where the amalgamation of robotic process automation (RPA), artificial intelligence (AI), and machine learning (ML) has created a new breed of trailblazing senior financial decision-makers who use data and emerging technology to create a vision for the future and to breakthrough finance. They embrace new techniques, such as predictive analytics, to drive digital transformation to new frontiers of its capabilities.

**Today, 90% of CFOs play a key role in their organisation's digital strategy, with 15% being fully responsible for digital transformation.**

In fact, the entire C-Suite is getting involved in digital strategy. Our research found that, in 75% of businesses, it's the CEO who drives the overall strategy, with vital input, insight, and direction from the CFO and CIO. This suggests that digital transformation is no longer the sole responsibility of the CIO and is central to business strategy.

And, since budgetary approval is a key element of digital strategy, the finance function, too, has moved to the core of business strategy.

# Driving digitalisation

Contrary to concerns that emerging technology threatens finance jobs, CFOs in our survey are already using AI and automation to drive decision-making. In fact, AI holds no fear for senior financial decision-makers: over two-thirds are not at all concerned about it, and only one in 10 believe that it will take away jobs.

Why is that? Because they have bigger things to worry about, like the impact of a global pandemic on people and business operations.

In handing over the number-crunching to automation tools, South African CFOs are gifted with the time and opportunity for creative and strategic thinking. There's more room for critical analysis and innovation to augment business strategy. They also benefit from accurate forecasting, planning, and efficiency, as well as enhanced data governance.

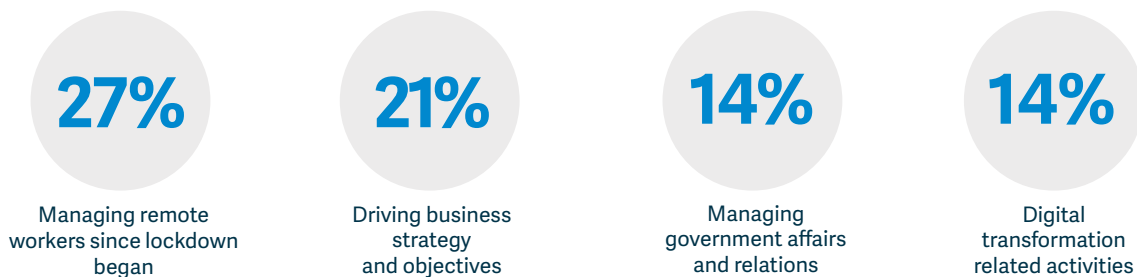
With nearly all finance leaders actively involved in digital transformation, a more versatile role

is emerging: one that merges skills such as accounting, analytics, business management, and strategic-thinking.

Beyond the balance sheet, senior financial decision-makers play a key role in managing workers remotely. This is the most fundamental change in their job responsibilities in the past decade. It has even overtaken business strategy, which, until recently, was considered the most significant shift.

This means that the very essence of finance is evolving, and history has taught us that, where there's change, there are also challenges.

## In the past two years, finance leaders have taken on new job responsibilities:



But they've shown remarkable adaptability – only 12% say they struggle to adapt to these new roles.

**“ 9 in 10 senior financial decision-makers are hands-on with their digital transformation strategy – and approving the spend. ”**

# COVID challenges: managing uncertainty

Before COVID-19, complying with ever-evolving finance legislation might have been the main concern keeping CFOs up at night. Now, they have the added challenge of ensuring compliance across a decentralised network, a scattered workforce, and larger attack surface.

All the trends that were at play before the pandemic – the move to the cloud, managing remote work, and getting on top of compliance – have been accelerated. And with 27% of senior financial decision-makers involved with remote worker management, compliance has risen to the top of the challenge pile.

Some would describe this as the single biggest shift in the role of financial decision-making in the last decade. And it brings a host of additional challenges around cybersecurity, data protection, and compliance.

It's a lot for one person – even one team – to oversee. Organisations that were already in the cloud and using financial management solutions have had an easier time of managing this new landscape.

In fact, 49% have seen moderate to strong growth in organisational performance over the past year, despite – or in spite of – the recession.

And 78% of these businesses expect even further growth – a key indicator that, in a time of recession and economic stress, revenue growth is the most significant contributor to a positive outlook.

What's the secret to their growth? Well, it's not really a secret: CFOs are nearly unanimous in agreeing that next-generation technology that incorporates emerging technology has been critical to their success.

90% of businesses have adopted emerging technologies in some form, and over half of these businesses are implementing advanced or cutting-edge techniques.

In not being bogged down by numbers, budgets, data integration, and reporting, CFOs can turn their focus to changing stakeholder needs and modernising business processes.

**According to more than half of CFOs, AI and machine learning will enable continuous audit results – allowing them to keep the pulse on their business's finances.**

## Biggest challenges facing finance professionals in South Africa



Changing stakeholder needs



Managing risk around fraud and cybersecurity



Using technology to modernise business processes



Managing remote teams



Staying informed on changing regulatory requirements

# Enabling success with technology

A common narrative around emerging technologies like AI, machine learning, and robotic process automation is that they'll replace humans. But that narrative is changing.

In fact, 89% of CFOs welcome automation performing more of their day-to-day accounting tasks in future, and 40% believe that AI and machine learning will improve forecasting and financial planning even further.

That said, only a little over half say most processes are automated in their businesses. This suggests that a massive shift is still coming – especially since 86% of CFOs believe that financial management technologies can help their businesses to discover new opportunities and better manage risk.

Clearly, confidence in new technology is growing, with most senior financial decision-makers citing direct productivity benefits, like automated compliance reporting and the ability to make real-time decisions around risks and opportunities.

In South Africa, 64% of CFOs spend more time analysing data than they do gathering and processing it. This compares to 50% of financial managers in the UK.

Despite this, many are still drowning in data. It's streaming in from everywhere – including digital financial systems. Plus, CFOs have to comply with ever-evolving data protection and management legislation and increasing reporting requirements. Indeed, staying informed about changing regulations is a challenge for two in five senior financial decision-makers, according to our research.

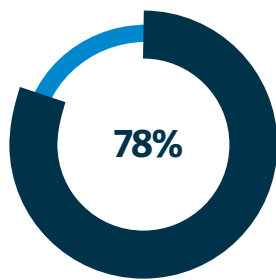
But we also found that predictive-based technologies will change the way CFOs operate at the board level. Two-thirds of CFOs expect emerging technology to audit results continuously and to automate period-end reporting and corporate audits, reducing time to close in the process. This will become increasingly important as businesses interface more and more with open banking systems and automated taxation processes.



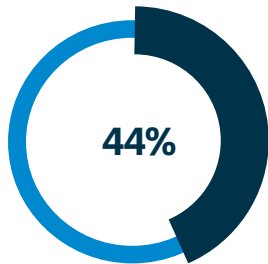


# Positive post-pandemic projections

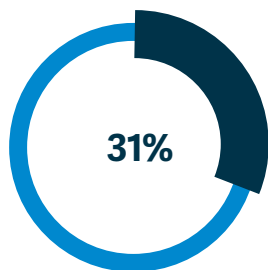
COVID-19 has negatively impacted South Africa's economy and outlook. We've been warned that it will take years to recover. But the majority of senior financial decision-makers in our survey have a positive growth outlook.



of businesses reported growth in revenue in recent months.



of businesses said COVID-19 increased demand for their services.



of businesses reported little change in organisational performance over the past year. Those that reported a decline in performance said they were still able to maintain profitability.

# Digital culture champions

The shift to remote working also shifted senior financial decision-makers' priorities. It's no longer only about managing new data, technologies, and stakeholder expectations. They must also maximise their technology investments by enabling their teams to work remotely, while retaining accountability, transparency, and productivity.

Evolving from a traditional management style that relied on intuition, to a more contemporary one based on data-driven evidence, can be a culturally disruptive process. Interestingly, driving a cultural change wasn't a concern for most South African CFOs, with 73% saying their organisations are ready for more automation.

Unlike in the UK, where employees are still worried about machines taking their jobs, in South Africa, CFOs are setting the cultural example by not only calling out emerging technology as crucial to their success, but also putting a stake in the ground on the humans-versus-bots debate.

Employees are still hesitant to embrace technology, for sure, and many have not made the same mindset shift as CFOs have. So, they still need guidance and reassurance around the business's automation strategy and the potential for upskilling.

Senior financial decision-makers' perspective on technology is key to creating a digitally receptive team culture, and CFOs' leadership is pivotal in ensuring their organisations maximise their technology investments. This makes detailed implementation plans for digital transformation crucial because, for businesses to get the most from technology, there must be an alignment between strategy and culture.

Sharing knowledge and timelines on strategic developments and explaining the significance of these changes will help CFOs to alleviate the fear of the unknown. Technology may be the enabler driving this change, but the extent to which it transforms a business lies with those who are bold enough to take the lead.



# Beyond the books

## Driving productivity with technology

The Sage CFO 3.0 research identified three core technologies driving productivity in finance.

### 1 Data analytics



Two thirds of senior financial decision-makers use data analytics to drive productivity in finance. Data provides the tools behind accurate analysis and swift, responsible decision-making. The rest say costs and data integration are affecting their move to next-generation finance technology.

### 2 Cloud-based accounting platforms



Three in four large businesses operate in the cloud, from either hybrid or fully cloud-based systems. Four in five large businesses use cloud-based solutions for financial management, and over 80% say cloud technologies help to create more agile and cost-effective in-house finance functions. What's more, over two thirds say cloud financial management technologies have improved security and helped protect financial data.

### 3 Compliance automation solutions



Two thirds of large businesses rate their company's investment in automating financial management as "good" or "excellent", with over 80% using financial management technologies to uncover efficiencies, optimise operations, and automate and expedite compliance reporting. What's more, over half say automation has positively improved business productivity.

Businesses that don't have some level of cloud-based financial management reveal that this tends to go hand-in-hand with a lack of overall strategic direction.



#### Decisions or bust

**88% of CFOs say fintech must enable real-time decisions for it to be key to their success.**



# Cloud is critical to success

Our survey revealed that cloud computing allows financial leaders to achieve five critical aspects:



**89%** of senior financial decision-makers say financial management technology is key to their success.



**86%** say financial management technologies help their businesses to discover new opportunities and/or risks.



**83%** of CFOs use cloud technologies to create more agile and cost-effective in-house finance functions.



Using financial management technologies, **82%** of CFOs have uncovered efficiencies and optimised operations.



**82%** of senior financial decision-makers use financial management technologies to automate and expedite compliance reporting.

# Riding the tech wave

Technology is taking finance in a new direction and our research shows that senior financial decision-makers are going along for the ride – and enjoying it.



More than half believe that emerging technology will continue to support them in their roles and allow them to keep the pulse on their business's finances.

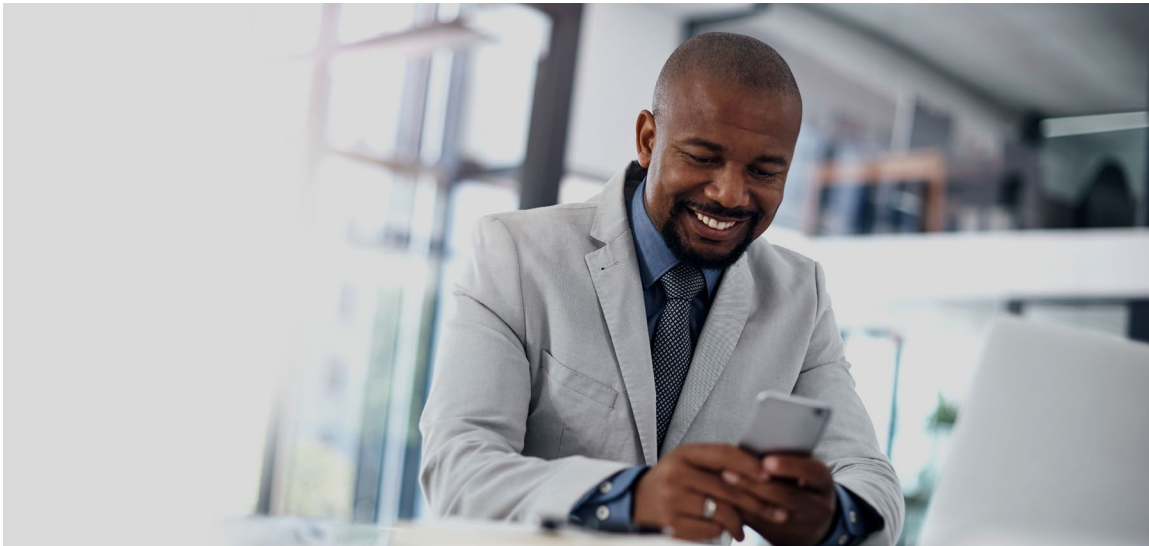
Those that have already invested in automation solutions cite efficiency, streamlined processes, reduced human error, risk mitigation, and competitive advantage as the main business drivers.

The biggest benefits they're looking forward to as they continue on this journey? Real-time audits, efficient and accurate forecasting and strategic financial planning, faster closing, and enhanced governance.

As the gatekeepers of data, fraud, cybersecurity, and data privacy, CFOs are increasingly looking to emerging technology to decrease risk, enable real-time decision-making, and help them to build a finance function that can withstand future challenges.

A final takeaway from our research is that good business strategy matters most in difficult times. But through smarter technology investments, CFOs can play an even bigger role in shaping business strategy.

# Our approach



To understand the challenges and opportunities facing CFOs in the wake of COVID-19, we conducted a telephonic survey of 311 senior in-house financial decision-makers in South Africa. Our industry representation were predominantly general businesses, professional services, financial services and not-for-profits. Most respondents were senior financial decision-makers, with a male skew of 51%, at corporations employing between 201 and 1,000 people; 35% were from smaller businesses with between 51 and 300 employees, and 19% were from large enterprises, with over 1,000 employees. The majority had complete or partial responsibility over digital transformation.

*The CFO 3.0 research study for South Africa was conducted by World Wide Worx on behalf of Sage.*





# Become visionary | Become CFO 3.0

The finance function is evolving. Discover how trailblazing finance leaders are driving a digital-first agenda.

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