

Automation and teamwork: contradiction or the path to success?



What will the future bring?

How did CFOs' objective evolve?

To what extent have expectations and areas of focus changed due to past year events?

How can the maturity of the financial function be measured and how does it contribute to the achievement of the company's strategic goals?

In the summer of 2020, we launched our CFO survey for the second time, in which we searched for the answers to these questions with the participation of more than 120 Hungarian CFOs. The results of the survey also reflect how the daily lives of CFOs are affected by the situation caused by corona virus.



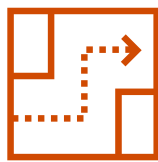
There is a new situation. Perhaps this one sentence could sum up the current situation of the CFOs. Indeed, process reorganizations, business and financial challenges due to the corona virus have significantly transformed everyday life of a financial organization.

However, this does not mean that previous focus areas have disappeared. Rather, new perspectives emerged and the weights changed.

This year, the objectives of CFOs appeared to be around the following four main topics:



The motivation and reaction of the finance team to the new situation



Process efficiency and sustainability



Adequacy of support provided by systems and infrastructure to the finance team

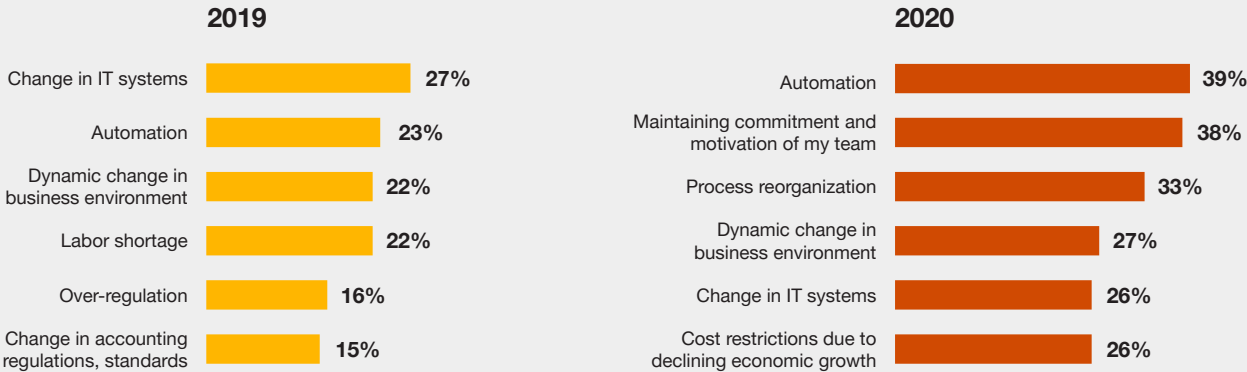


The supporting and value-creating role of the financial function within the company

How to automate and maintain the motivation of the finance team at the same time?

This contradiction seems to be the most interesting topic for CFOs in 2020. While in 2019 finding the appropriate workforce was mentioned as one of the most important challenges, the focus of this year is on motivating the existing team. This year the responses on process reorganization reflected the challenges coming from digitalised working from home.

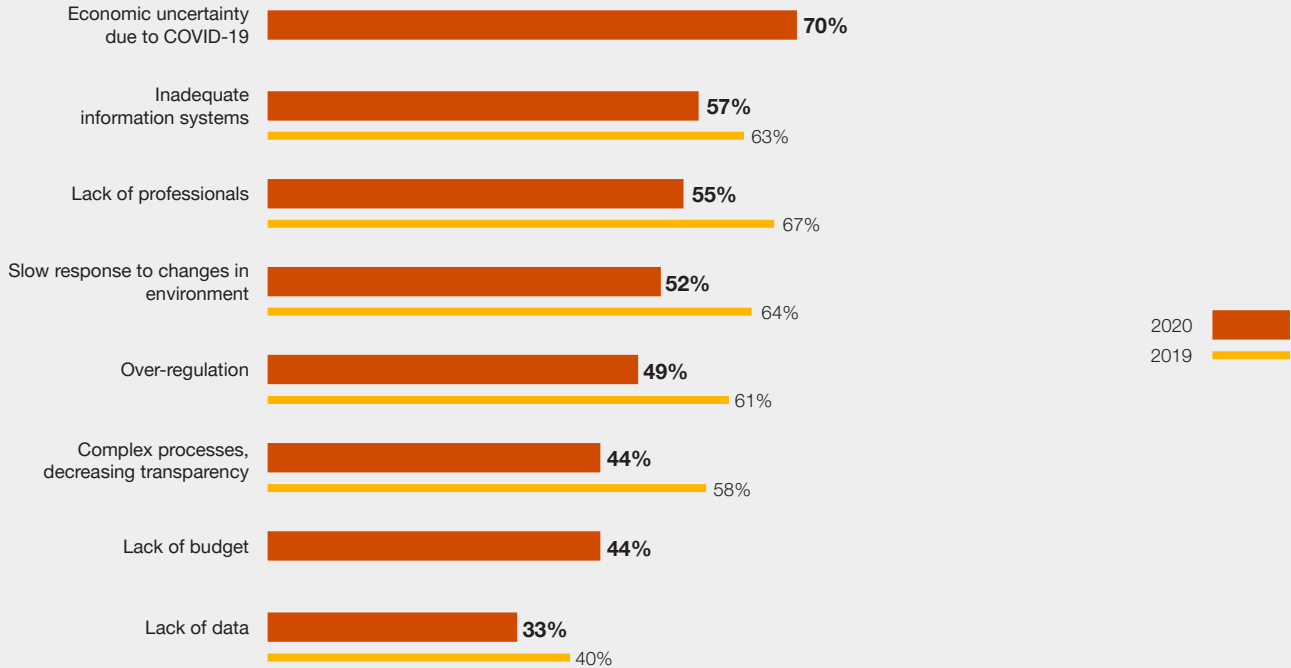
What do you expect to be the biggest challenge in your work next year?



Finance executives feel that the biggest risk this year is clearly the uncertain economic environment. Accordingly, the mention of other risks has decreased slightly, but their order has not changed significantly compared to the previous year and their impact remained significant. The reduction of risk related to the shortage of professionals can be mentioned here as well.

How much do you fear that the following difficulties and risks will prevent you from achieving your goals?

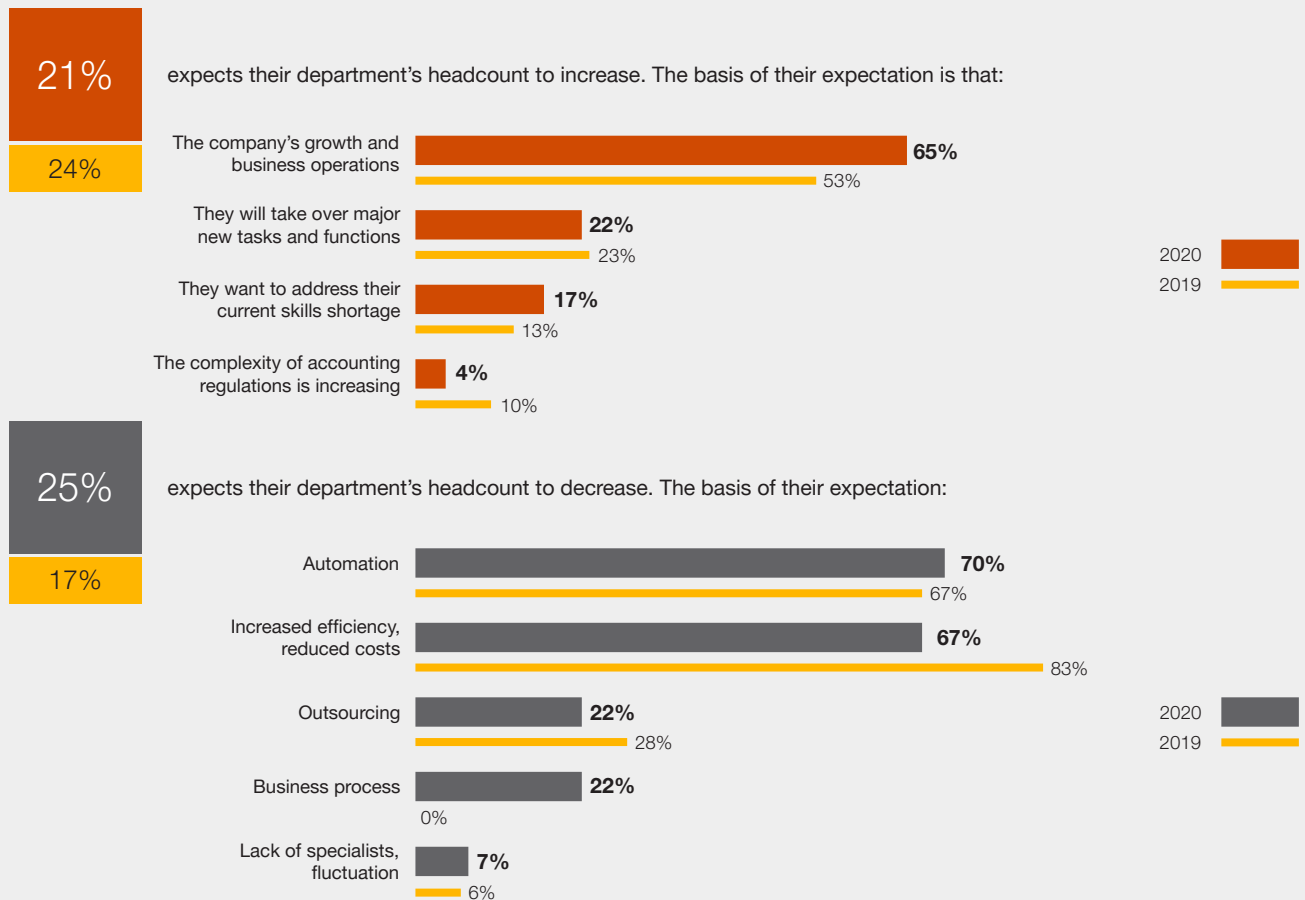
(the proportion of those who fear the risk)



1 CFO's team

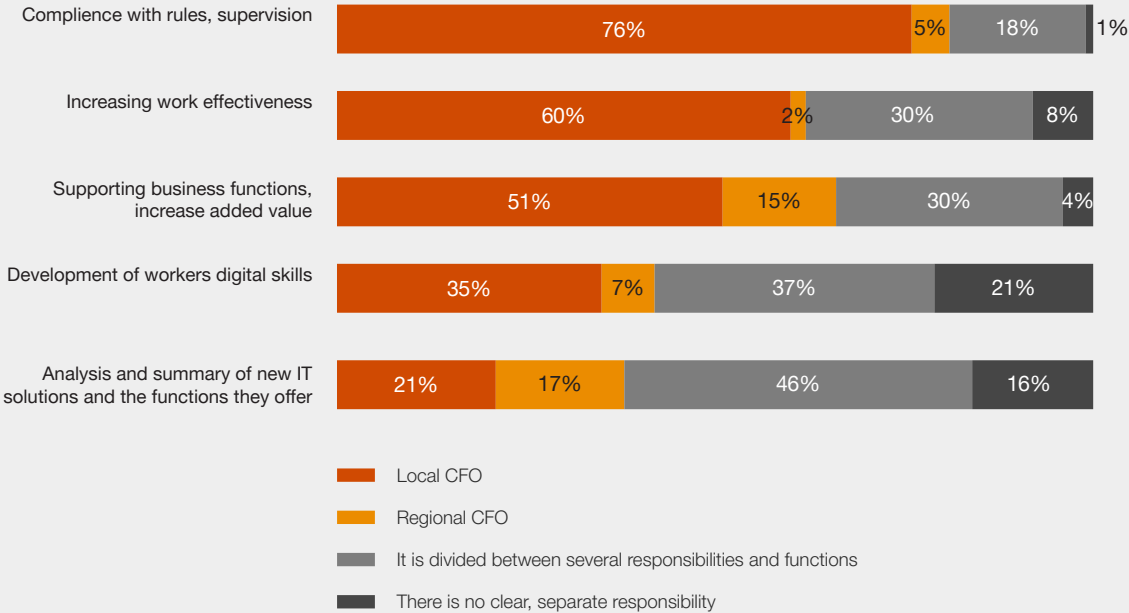
Although more than half of the participants still do not expect a significant change in the size of their team, respondents are a little more pessimistic than last year. This year the slowdown of business has also contributed to the decrease.

Over the next 24 months, do you expect your department's headcount to:



While compliance with regulations and increasing efficiency are mostly the responsibility of domestic CFOs, developing employees' digital skills and making the best use of IT opportunities is generally not the CFO's responsibility. According to the respondents in many cases there is no clear agreement about who is responsible for these areas.

Who is responsible for the following areas related to finance and accounting functions at your company?



2 Processes

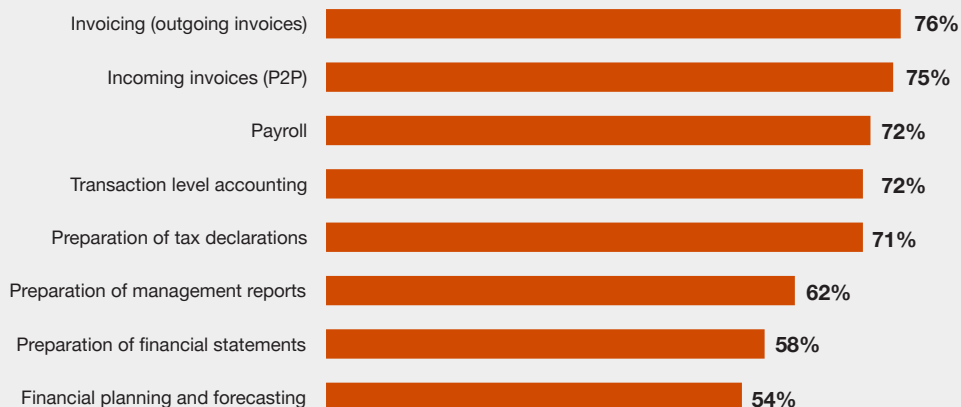
Local CFOs continue to see a clear path to development in automation and digitalization. In addition, the data we collected has shown that the success of development projects in an average of five out of six cases depends on the people and the quality of cooperation and communication between them.

Respondents see that a significant portion of the tasks of domestic financial and accounting teams could be automated over the next five years. In our survey, CFOs estimated that 30-40% of the time currently spent could be saved through automation and employee training. The least affected areas are expected to be high value-added, decision support functions.

In your opinion, how could finance/accounting processes be best improved in your organisation?



In your opinion, what percentage of tasks in the following areas will you be able to automate in the next 5 years?



Most companies use external service provider for payroll accounting, but the number of companies outsourcing tax tasks has increased significantly compared to the previous year.

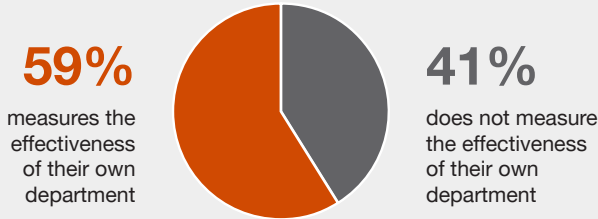
Are the following financial / accounting processes outsourced at your company (including affiliates)?

(proportion of those who use all or part of an external service provider)



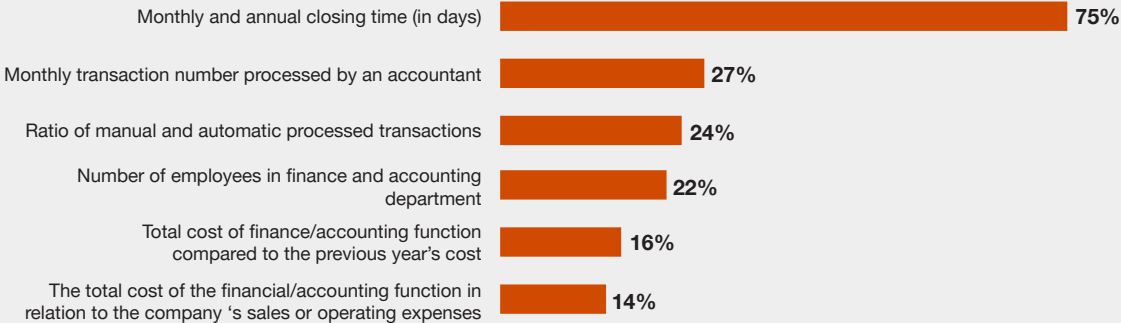
41% of CFOs responded that they do not measure the effectiveness of their own department at all.

Financial departments that measure their own effectiveness typically look at just one indicator, and that is for the vast majority the time they spend with period end closing.

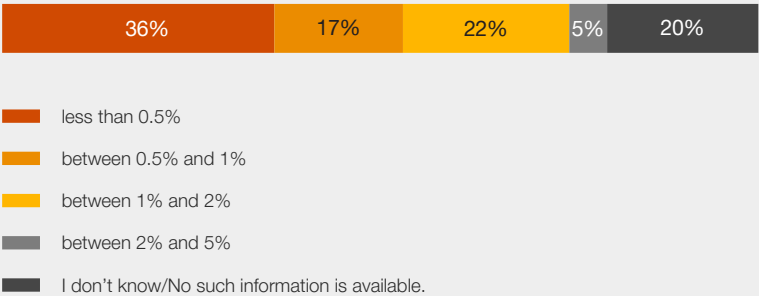


Which of the following performance indicators do you use to measure the efficiency of your department?

(proportion of those who measure with the given indicator, a maximum of 2 answers could be marked)

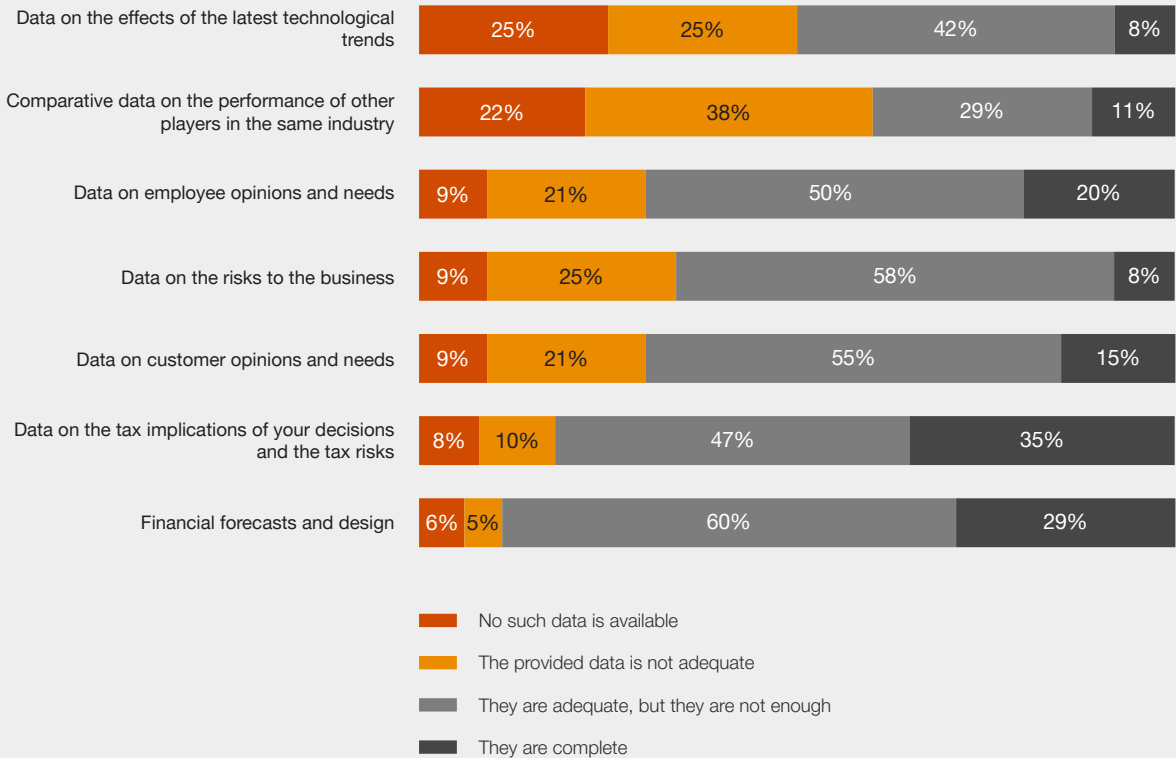


How does the total cost of financial and accounting activities compare to the Company's annual revenue?



In most cases CFOs lack adequate data about competitors. This makes it difficult to compare the performance of actors in a given industry. They are most satisfied with the financial forecasts as well as with the data related to taxation.

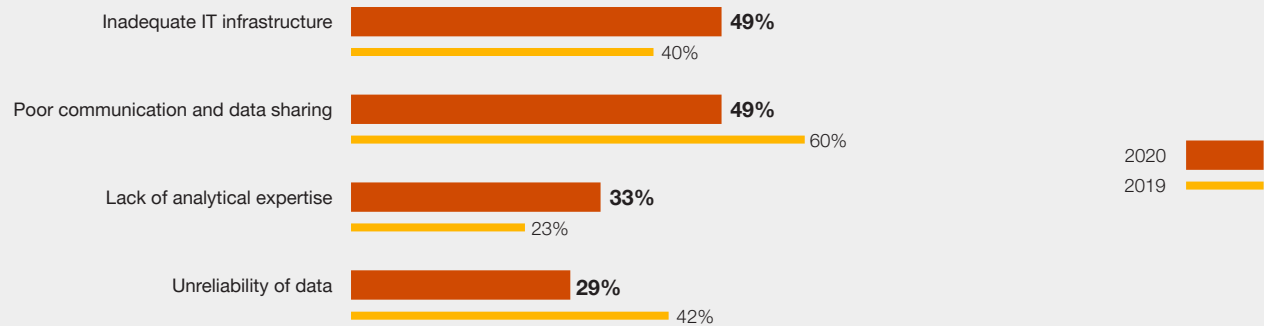
How adequate is the data that you currently receive?



Typically, CFOs see the lack of IT support and inadequate communication as the reason for not having access to the information they need.

In general, what are the main reasons that the data you receive is 'not adequate' or that you 'do not receive such information'?

(multiple answers possible)

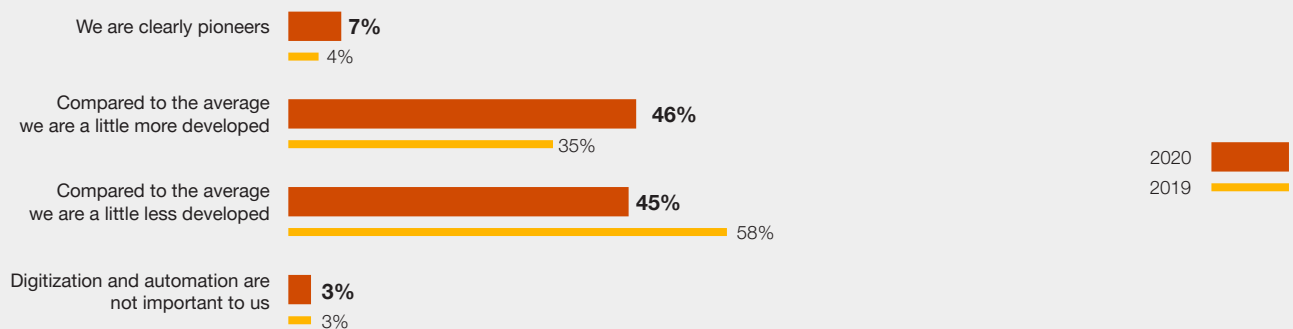


3 Infrastructure

As CFOs say that in most cases deficiencies in the support infrastructure are responsible for inadequate data, we examined how they see the current state of IT in their company.

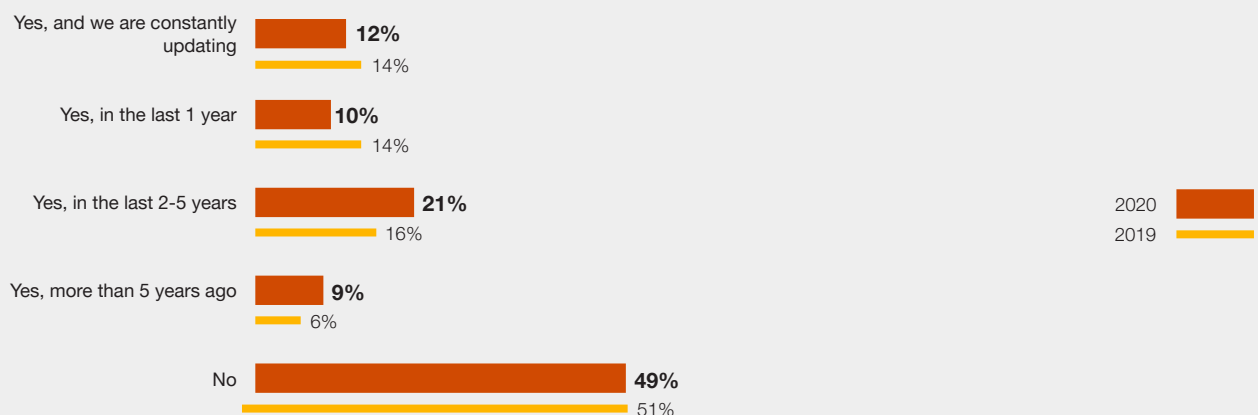
Compared to the previous year, there has been a significant positive shift in how well respondents consider themselves to be advanced in digitization and automation, but only 7% still consider themselves to be pioneers.

To what extent do you consider yourself a pioneer in the field of digital solutions and automation compared to competitors in finance and accounting?



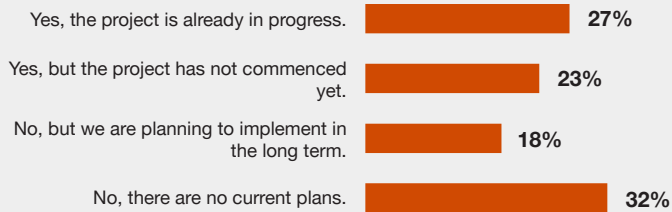
Although the role of IT and automation is clearly considered by respondents to be of paramount importance, only a few of them map the IT systems and reports used by the financial function regularly.

Does your organisation prepare a map of IT systems supporting finance, accounting and reporting processes?



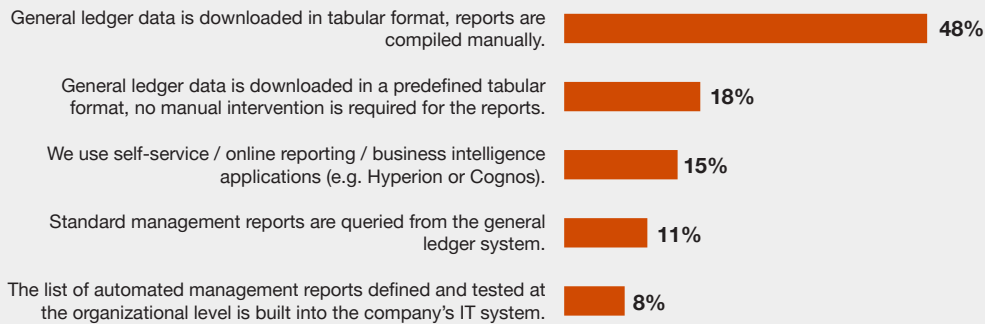
Half of the CFOs plan to significantly modify or replace the ERP system currently in use over the next 3 years.

Are you planning to implement new or new version of the current ERP system (eg SAP, S/4 HANA) in the next 3 years?

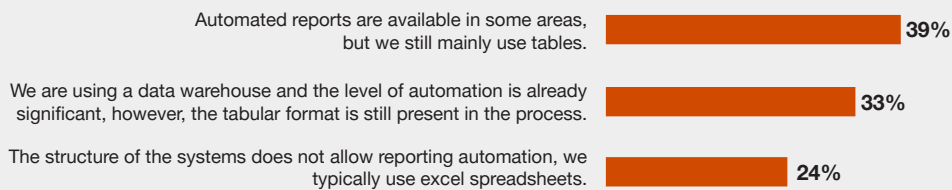


Manuality is also crucial when using IT systems and reports and it usually requires human intervention. Rather than unified data warehouses, the necessary data can be collected from separate tables.

Which of the following best describes the preparation of the key reports of your organization?



Which of the following statements best describes your organization?

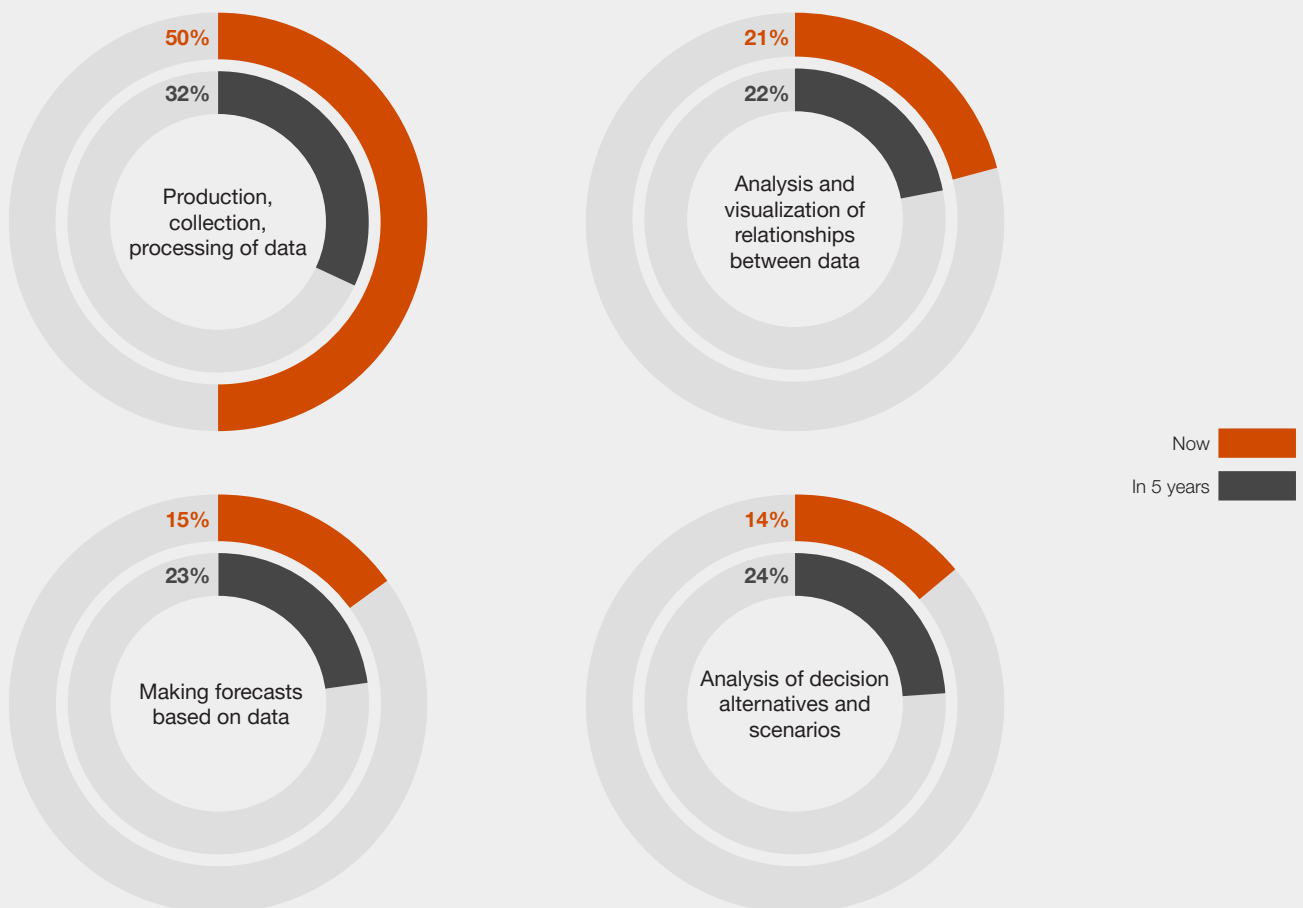


4 Value added

According to the respondents, one of the most difficult tasks facing the financial function is to spend most of the time on high value-added, decision support tasks. According to our international data, the global finance departments of the world's leading technology companies already spend more than 50% of their time with supporting decision-making and just under 15% with recording transactions.

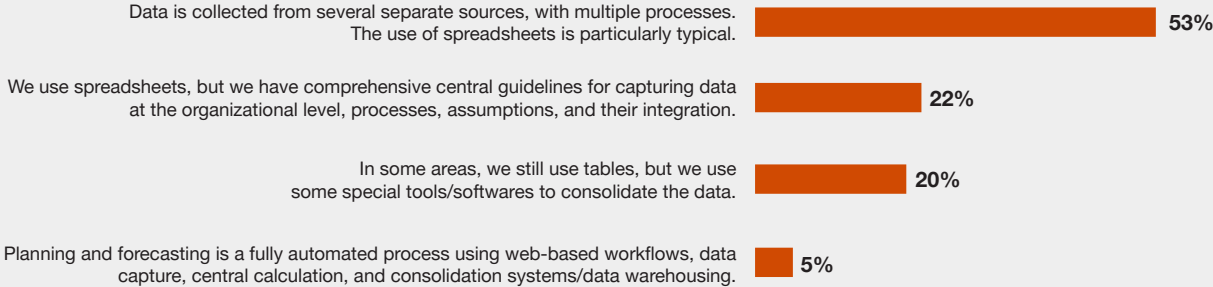
According to the respondents, the Hungarian finance and accounting departments still spend almost half of their time collecting and processing historical data. Within five years, however, CFOs say this will change significantly and high value-added forecasting and decision support functions will come to the fore.

**How much time does your department spend with the following four tasks?
What is your expectation on the amount of time that will be required in 5 years time?**



Manual, spreadsheet-based processes are currently the standard.

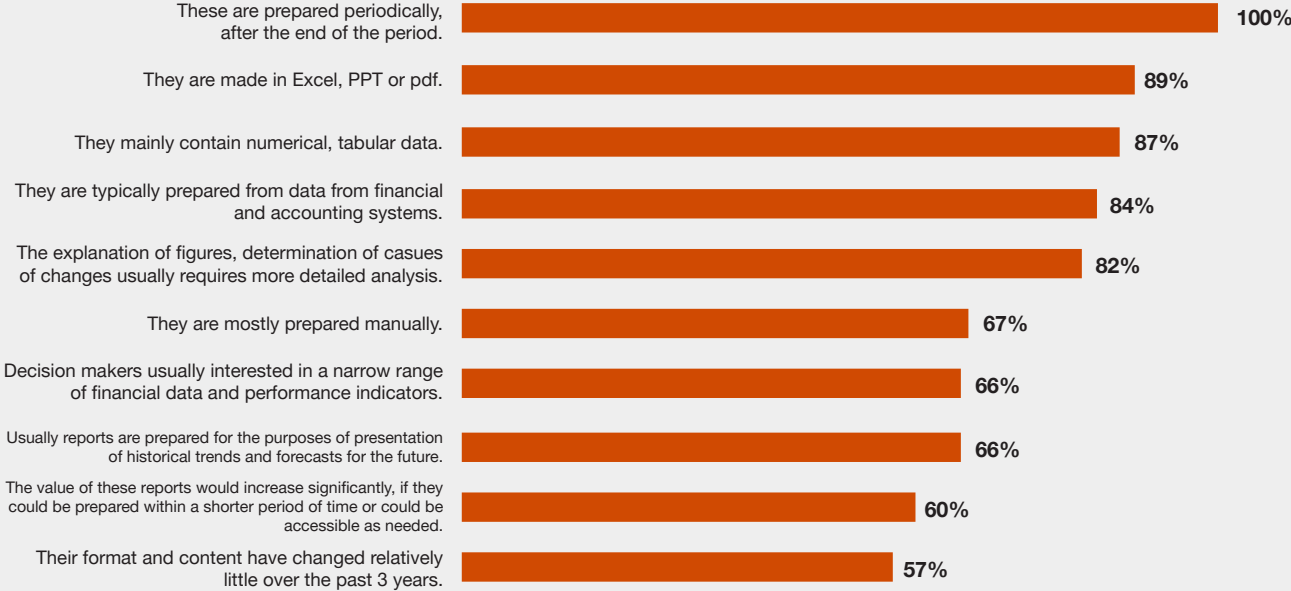
Which of the following best describes your design process?



Management reports used for decision support today are still typically tabular, static, and difficult to use to analyze the causes. There was not a single CFO among the respondents who had already switched to a real-time, personalized management reporting system.

How well do the following statements define the management reports prepared by the finance team?

(proportion of the companies, those the statements define fully or partly)



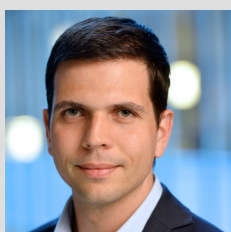
Our experts



Gábor Balázs

Partner

gabor.balazs@pwc.com



Roland Balogh

Senior Manager

roland.balogh@pwc.com

pwc.com/hu/futureoffinance

