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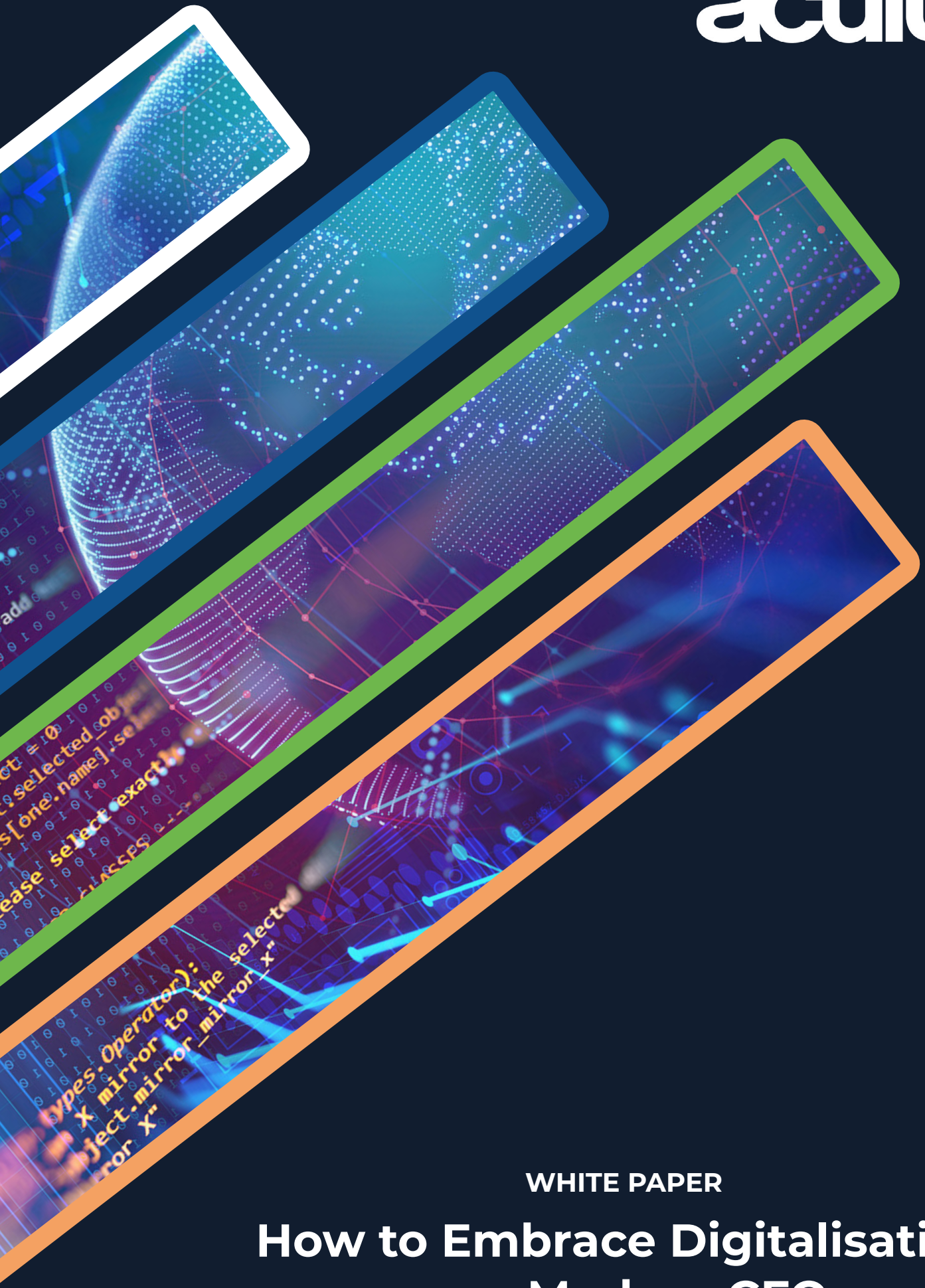


WHITE PAPER

How to Embrace Digitalisation as a Modern CFO

Digital Transformation

Finance departments and businesses in general are accelerating their digital transformation strategies in response to the world 'going digital'.

Now more than ever, a thorough, well-researched and effective digital strategy is vital to any business to ensure it is well placed in the market, able to stay ahead of the competition and remain viable. Digital technology has been particularly and increasingly important over the course of the pandemic.

According to a study by the London School of Economics and Political Science, despite 72 per cent of UK firms relying on Government support through lockdowns, around three-quarters of businesses surveyed adopted new technologies during the pandemic.[1]

The report states: "We found that 75% of firms in our survey had adopted productivity-enhancing technologies since the start of the pandemic. Unsurprisingly, technologies for remote working were the most frequently adopted, either alone or in conjunction with other technologies, including online sales, cloud, data analytics and cyber security."[2]

Remote working was particularly challenging for finance departments, particularly those that have not yet adopted cloud-based financial management systems and instead rely on multiple spreadsheets, paper-based and manual processes.

As a result, finance leaders had to quickly learn to adapt, support their teams and manage a busy finance department during the most challenging time for both businesses and society as a whole in our lifetime.

The role of the CFO in the finance function's digitalisation

The impact of the global pandemic is changing the role of the CFO, or finance leader. While the digital revolution and evolution of the finance leader had already begun, the pandemic accelerated their progress out of a necessity to survive.

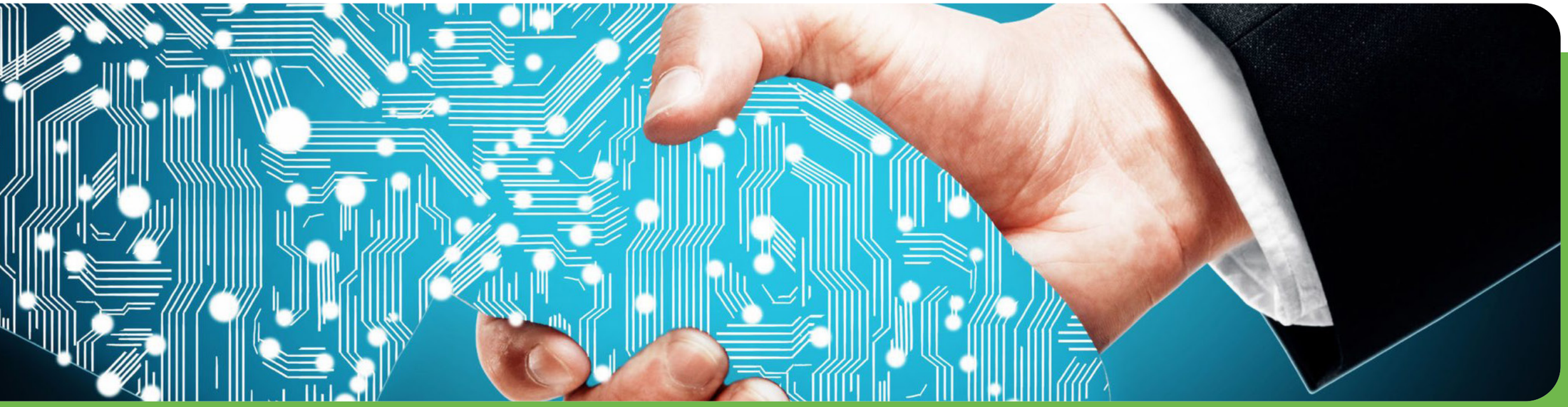
The description of a CFO or finance leader's role, according to the Corporate Finance Institute (CFI), is "to optimize the financial performance of a company, including its reporting, liquidity, and return on investment."[3]

Similarly, the definition of CFO according to Investopedia is "a senior executive responsible for managing the financial actions of a company. The CFO's duties include tracking cash flow and financial planning as well as analysing the company's financial strengths and weaknesses and proposing corrective actions."[4]

In previous decades, the focus of a finance leader has been past performance, growth and return on investment (ROI). In years to come, we will see the role evolve and the focus of a finance leader shift towards the future. In fact, we are already starting to see this shift in many businesses, with finance leaders taking on the role of strategic business adviser, senior manager, and in some cases even a subsidiary of the Human Resources department for those in the finance function.

More in-depth reporting, analysis of ROI, forecasting, stakeholder and investor management, strategy and growth will be among the responsibilities that will form the role of a finance leader in coming years. Many feel that this workload will be too much to manage for a single person, while others feel it fitting for a role that plays such a vital part within a business, particularly given the rapid digitalisation and evolution of businesses at present.

Whichever side of the argument you are on, there is no denying that the finance leader role is - and will continue to be - the bedrock of a business' success.



What makes a finance department agile?

The two main purposes of the finance function in any business are:

1. **Providing financial information required for other functions to operate efficiently and effectively within a business;**
2. **And supporting business strategy and decision-making.[5]**

While the finance function seems simple on paper, the reality is incredibly complex. Just as the finance leader's role does not consist of a single responsibility, the finance function covers a vast array of functions within the business; from payroll to processing orders, management of supplier relationships and so much more.

So, in our rapidly changing society, how does a finance leader ensure the finance function is set up to give their business the best chance of success?

Strong leadership

A strong finance leader must manage effectively, support their team and lead from within. Solving problems faced by the finance function will assist in making the roles of the finance team easier to carry out and manage day-to-day.

A finance leader who is unable to lead effectively will lose confidence and collaboration from their team, leading to a disconnect between them, as well as a wider disconnect betwween the finance team and the wider business.

Collaboration

The first purpose of the finance function – providing financial information to other business functions – cannot be fulfilled without collaboration and communication. Without efficient collaboration, the efforts of all departments are likely to carry no ROI. Similarly, a finance leader must have a sound understanding of how the finance department affects the wider business to prevent a disconnect.

Growth

Growth in a business doesn't just come from hard work. Success and growth in a business comes from collaboration between departments along with a combination of forecasting, planning, strategy, flexibility, and adjustment to demand.

Changing with the times

It is vital for a business' success and survival that the finance leader makes a concerted effort to keep the finance function up to date with digital transformation and developments. Without digital agility, the business and its finance team will struggle in numerous areas.

Without digital systems and automation, data analysis and reporting must be largely manual. As a result, reporting takes so long that the data is no longer current, relevant, or useful by the time insights are available for distribution.

A lack of proper processes and workflows, or "making do" with manual workarounds and processes will ultimately result in wasted time and resources, inefficiencies, and greater risk of human error. Digital adoption and automation of workflows and processes mean a finance leader can allocate time and resources within the finance function to areas where they can be better utilised.

With digitalisation can also come a greater risk of security breaches. In transforming the digital strategy in a business, the finance leader must also consider security updates and investments. Not taking security in the business seriously, particularly in the finance function, can result in data breaches and potential loss of clients and revenue.

Why do finance departments need to change?

Despite manual workarounds and slow processes, your finance team seems to be happy with their existing way of working, your on-premises financial management system does the job, and the additional technology you've looked into comes with some up-front costs that you are unsure about. So why make a change?

In many cases, a company will feel that their existing legacy digital systems are sufficient to keep up with the advancements and competition in their industry. However, technology and systems which are unable to keep up with a department's requirements and demands will ultimately slow the business down and prevent growth. As a result, operations across the business become disjointed, inefficient, and ineffective.

As a report from the Institute for Fiscal Studies notes, "a profound economic adjustment looms" as a result of the pandemic. Our economy as a whole has suffered – to varying degrees – since the UK first went into lockdown in early 2020.[6]

While some of these effects have eased now that our economy is reopening, we are experiencing a recession. The UK's GDP declined by 9.7% in 2020, the steepest drop since records began in 1948, and is estimated to be equivalent to that experienced in 1921 – caused, in part, by the flu pandemic.[7]

During the first lockdown, specifically in April 2020, the UK GDP was 25% lower than it had been just two months previously in February. While economic activity increased during the summer of 2020, a rise in COVID-19 cases and further lockdowns later in the year saw further economic impact, although less severe. By autumn 2021, the UK GDP was 0.5% lower than pre-pandemic.[8]

How has the pandemic impacted financial growth in UK businesses?

A report from the Department for Business, Energy & Industrial Strategy (DBEIS), comparing data from the period between September 2020-April 2021 to the previous 12 months found the following:

- 18% of SMEs reported growth in turnover
- 25% had approximately the same turnover
- And 56% reported a fall in turnover.[9]

The study found that "the sectors most likely to report turnover growth were primary (23%), information and communication (22%) and professional (22%), while those most likely to report a fall in turnover were accommodation and food (82%), arts and entertainment (72%), transport and storage (64%) and administration (62%)" [10]

71% of respondents cited the pandemic as an obstacle to growth during the September 2020 – April 2021 period, with competition (37%), regulations and red tape (35%), taxation (27%), recruitment and skills (26%) and late payments (25%) all cited. [11]

It is clear from this data that the pandemic has had a profound affect not only on our economy, but also on individual businesses and sectors. Sectors heavily reliant on consumers being able to socialise – for example, hospitality and entertainment – were very badly hit, with the government mandating their closure for significant periods of time in the first year of the pandemic.

How have business growth patterns impacted adoption of digital technologies?

The same report from the DBEIS states that 88% of employers took some form of action during the pandemic with regards to their workforce. 65% of employers furloughed staff, while 49% reduced staff working hours, and 37% provided facilities for remote working. As of March 2021, 60% of UK workers were still working remotely to some degree.[12]

The DBEIS report states that "more than half of all SME employers (56%) used technologies or web-based software to sell to customers or to manage the business", compared to 49% in 2019.[13] While this may not seem like a large increase, this shift in business operations – initially through necessity – has recently grown to become an acceptance of remote working with many businesses now pledging to support and allow some degree of home or remote working in the future.

With regards to business recovery, 41% of SME employers predicted an increase in turnover in the 12 months following the study, while 36% estimated that turnover would remain the same, and just 16% expected it to be lower.[14]

What part does digitalisation have to play in the recovery of UK businesses?

The adoption of digital technologies and tools over the course of the pandemic is clear. While some businesses may have intended to develop their digitalisation strategy over the coming years, the data suggests that the pandemic has been responsible for their acceleration.

In a November 2021 press release, Vice President of Gartner, Milind Govekar, was quoted as saying, "There is no business strategy without a cloud strategy".[16]

The same press release estimates that by 2025, 85% of organisations will have developed a cloud-first strategy, while "over 95% of new digital workloads will be deployed on cloud-native platforms", an increase of 30% compared to 2021.[17]

> **"Amid the Omicron surge, it's perhaps poignant to note that all the advanced technology in the world means nothing without a population capable of adopting it and creating with it."[15]**
>
> *- McKinsey & Company*

Why cloud?

In a fast-moving, digitalised world, businesses must be ahead of the curve to survive and thrive. Over the course of the pandemic, it has become apparent that being well-organised, efficient, and good at inspiring communication and productivity within your business is not enough. You also have to be ready to adjust your strategy and processes to accommodate any changes and challenges. Businesses need the flexibility to embrace new opportunities and combat challenges to accommodate and promote growth. Cloud software solutions increase business operational and financial agility.[18]

Cloud-based systems deliver deeper capabilities that support the needs of your business to help you fast track your success and giving you the flexibility to adapt quickly and can be easily integrated with other systems to reduce re-entry of information and create a smoother, more intuitive business management experience.[19]

Cloud solutions provide real-time updates, up-to-date information, and the ability to access your systems from anywhere in the world, at any time. With this functionality, your business' departments can work in harmony with little-to-no delawys, fewer errors and all the tools they need to function and grow successfully.[20]

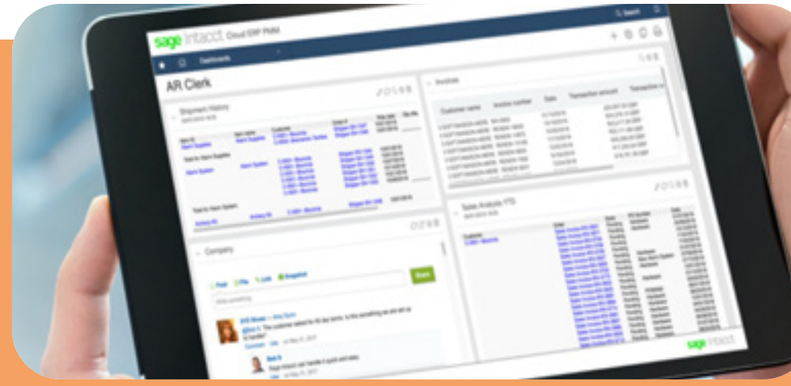
Younger businesses have a significant edge as they generally opt for up-to-date digital software to streamline processes, increase productivity, and improve outcomes from day one. Going paperless can seem daunting for well-established companies which are often comfortable with old-school processes, but those that take the leap see instant rewards.[21]

Within the finance function, businesses which use paper-based processes, spreadsheets and manual workarounds create a backlog of data which takes time to process, delaying progress in strategy and decision making. Cloud-based systems, while requiring initial investment and some minor disruption, cut costs, eliminate data processing backlogs, and free up your team to concentrate on what matters.[22]

As a finance leader, you can't afford not to opt for a cloud-based financial management system. Here's why:

Cloud deployment can deliver over four-times the ROI of an on-premises solution. This return can be seen in less than six months on average. As a result, your business can scale up to 400% with no additional headcount.[23]

The finance function can save up to 40 hours on reporting each month, speed up quote-to-cash by up to 75%, and reduce time to close by up to 80%.[24]



How to prepare your finance department for the future of digitalisation

Just like the global challenges that have resulted in the acceleration of digitisation in the last two years, preparing your finance department for a digital-first future won't be easy. Like any other drastic change or investment in your business, digitalisation is not a straight-forward journey. Many businesses will find that they have to overcome several obstacles before they can even get started, with many more along the way.

We have addressed five pressing predictions for challenges to businesses' digital strategies in the coming years and how to overcome them.

Digital is creating a skill disconnect

Competency in digital skills is becoming more challenging for finance leaders to balance. Younger employees often have a better grip on digital skills required to carry out their role but lack experience, while older employees struggle with the opposite.

Unfortunately, the widening skill gap is relative to the pace of technological evolution, and finance leaders must consider how they recruit, develop, and retain employees to ensure that skill and experience are well balanced.

Where competency gaps are identified, finance leaders and other members of senior leadership teams need to provide opportunities for the gap to be narrowed, through additional training and courses, to in-house mentoring and skill-shares. This, of course, must include any gaps identified by finance leaders within their own knowledge base. In order to get the most out of their team and the employees of the wider business, finance leaders must invest in their people.

Reporting becomes the latest 'on-demand' resource

A Gartner report states that "41% of decision makers wish management reports gave them information more relevant to their part of the business"[25]. As such, with the rise of digital transformation, and the adoption of new cloud-based systems, finance leaders must shift their focus to ensuring quality data.

Unlike on-premises financial management solutions, cloud-based systems harness AI and automation technologies to ensure data is always up-to-date and available to all users at all times. With intuitive workflows and dashboards, finance leaders can segment data to create at-a-glance updates and even send tailored individual reports securely. With these advances, reporting is now a truly on-demand process, taking seconds or minutes rather than hours, if not days or even weeks, to produce reports.

An emerging fourth era of ERP

According to Gartner, 65% of organisations will be using applications that encompass one or more of the business-enabling hallmarks of the new era of ERP by 2023.[26]

The new era of ERP systems features software which offers core finance capabilities, automation, AI and so much more as standard, embedded features rather than as add-ons. As a result, the way ERP systems can be used is more intuitive and growth-enabling than ever before. finance leaders will be able to work closely with other senior leadership team members or division heads to streamline and optimise processes across the business.

The AI revolution is NOW

Gartner's research has found that just 2% of financial planning and analysis functions and 7% of shared services have adopted AI. However, in the next 10 years, we can expect to see every aspect of the finance function transformed by AI and automation.[28]

Investing in AI-ready tools, current, intuitive technology and providing and obtaining additional training required to bridge the gap in digital competency will bring a business into the modern world, updating the finance function and allowing for optimisation of processes. finance leaders must also remember that AI and automation are not exclusive to the finance function, but in integrating AI tools across the board, business-wide growth will be rapid.

Unlocking growth through supplier management

Many finance leaders make the mistake of attempting to obtain new sources of growth for their business through traditional investment approaches. However, without an effective strategy for maintaining relationships with existing investors and suppliers, any new partnerships will fail.

To avoid a vicious circle of obtaining and replacing key stakeholders, finance leaders must consider improving their business' supplier collaboration capabilities. By dedicating a member of your team to supplier relations, or simply upgrading business software solutions to those that incorporate AI and automation, your business will be able to maintain existing relationships more efficiently.

Having access to all communication history, accounting and financial data and company insights in one place eliminates the excess hours spent searching through emails, documents, and spreadsheets to manage supplier accounts and allows you to build a solid foundation for your supplier relationships to thrive.

As a result, you will see your suppliers also providing you with greater priority in times of tight supply or capacity, faster problem solving, a more cost-efficient supply chain, fewer gaps in production schedules, and greater access to your suppliers' ideas and innovations, ensuring you are always ahead of your competition.

Is now the time to move your business to the cloud?

If you're unsure whether now is the right time to move to the cloud, ask yourself these 7 questions:

Can you afford the additional capital expenditure, customization costs, and ongoing maintenance costs required for an on-premises solution?
While some cloud-based systems require a larger investment up-front for implementation and getting the system - and its users - up and running, the running costs long-term are significantly lower than that of an on-premises solution.

Can you access your data and applications when you need them?
If your on-premises solution doesn't provide up-to-the-second, auto-synced data (which it probably doesn't), it's just slowing you down. Similarly, without a VPN connection, your team can't access the system remotely. For businesses where sales teams spend a lot of time outside the office, meeting with clients and making sales in the field, not being able to add new customers, invoices, and information there and then makes their efforts much less efficient.

Can your on-premises application fully support remote working?
A true cloud-system can be accessed anytime, anywhere. An on-premises solution just doesn't provide this functionality, which is now seen as a necessity rather than a luxury for businesses to thrive.

Can you scale up and down operations on demand?
If a member of your team leaves, or a department expands significantly over a short period of time, can your system keep up? Your team doesn't want to have to share user accounts. For manufacturing businesses, a system which allows them to adjust their supply chain with the click of a single button is a must-have; another functionality that an on-premises solution cannot provide.

Do you have resources in place to prevent, detect, and recover from data breaches — both intentional and unintentional?
Your IT and Systems team can't be available 24/7 to monitor your on-premises system's security, and some breaches can go undetected for months[29]. The best way to avoid your system being vulnerable to breaches and keep your data safe is to adopt a cloud-based solution.

Is it important for you to have the latest functionalities and digital technologies and to future-proof your technology investments?
Frankly, if it isn't, it should be. In the digital age, no company can survive long-term without a digital strategy and adoption of the best digital systems for the business. In order to run an efficient, productive, and future-ready business, you must have the right functionalities in place.

Are you or your colleagues spending too much time gathering data and running spreadsheets?
Wasted time is wasted opportunity, and wasted opportunity is lost profit in any business. Data processing can and should be an automated process.

Conclusion

Digitalisation – the process of converting something to a digital format[30] - has been ongoing since the introduction of the computer in the 1950s. Since then, everyday events, processes and tasks have been digitalised; we can send mail over the internet, book our train tickets, and pay bills online, turn our lights on with our smartphones, and complete time-consuming tasks in seconds with automation.

Digitalisation has revolutionised the way we live and continues to evolve, blurring the lines between the physical and the digital. While some are opposed to the introduction of the extent of the digital revolution, for businesses, automation, the Internet of Things and digitalisation – while requiring some adaption – is allowing for greater efficiency and ROI with every development.

For example, the UK government introduced the Making Tax Digital (MTD) initiative in April 2019, with all UK businesses with a taxable turnover below £85,000 required to follow the MTD rules and regulations from April 2022.[31] For SMEs, this means less paperwork, fewer errors, more accurate tax returns, easier bookkeeping, and more time to focus on building and growing their business.

Digitalisation boasts the same benefits, plus more; so, it's a surprise that more companies haven't already made the move to adopt a digital strategy. It is also worth remembering that digitalisation isn't exclusive to your finance function, adopting cloud-based software across your business, and introducing digital strategies to each department in your company will ensure that no function is left behind and your company can grow and develop.

As the data shows, in a post-pandemic world a digital strategy will be ever more important. Whether your business is planning to adopt remote working in the long term, or social distancing measures has meant your production line has had to be adapted and redesigned to keep your employees safe, a digital strategy is vital. Your business must be capable of accommodating those requirements now but must also be able to make changes pro-actively in future.

However, your digital strategy alone isn't enough – now is the time to invest in your people and ensure that your business **and** your team are future-ready.

> **People are the fuel that will power the next industrial revolution**
>
> *- McKinsey & Company[32]*

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Why Acuity?

At Acuity Solutions we specialise in helping businesses to overcome their accounting and business challenges through the recommendation and implementation of Sage software. Our strategic relationship with Sage strengthens our status as a preferred partner to work with customers both in the UK and globally.
As a business our aim is to provide the best experience of Sage software that our customers could possibly imagine and add value throughout our relationship. We work closely with all our customers to fully understand their business needs and recommend the most suitable solutions to match.

We have worked with Sage for more than 25 years and our team is highly knowledgeable in everything Sage, and how it supports industry. Acuity is the only UK partner to offer fixed priced implementations as standard, resulting in a quicker return to value for all our customers.

We specialise in implementing Sage business solutions such as Sage Intacct, Sage X3 and Sage 200, no matter the size of business. In addition, we only work with additional solution vendors that compliment Sage and deliver true business value.

Still have questions?

If you would like to discuss your digital strategy with one of our experts, or want to discuss how a true cloud financial management system would fit into your business...

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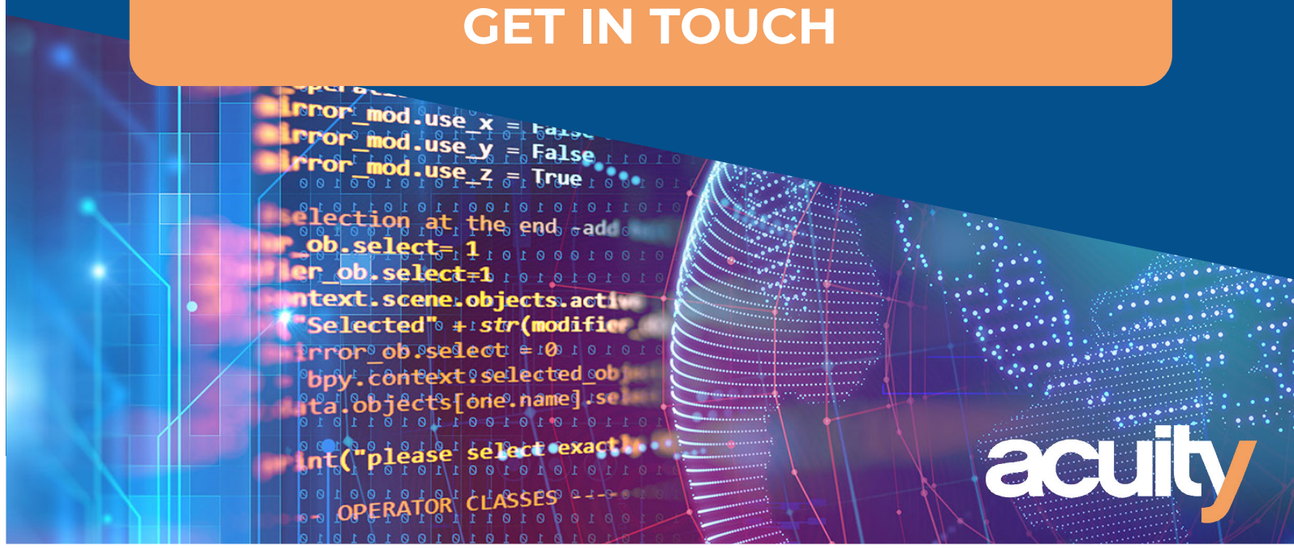

www.acuitysolutions.co.uk | +44 (0)1932 237110 | +44 (0)1932 237111 | marketing@acuitysolutions.co.uk

Kemp House
152-160 City Road
London, EC1V 2NX

+44 (0)9132 237110

marketing@acuitysolutions.co.uk

www.acuitysolutions.co.uk