Managing modern finance in a time of unprecedented change

Modern business requires speed and agility, starting with the finance and accounting systems that underpin every facet of operations. The recent economic environment introduced complications that underscored the need for responsiveness in a digital age, yet back-office systems still strain to keep up with changing business needs.

Business leaders know they must pick up the pace. A new Foundry MarketPulse survey identifies myriad challenges finance managers face, from data integrity and security to lost productivity caused by manual processes. As the pace of technology change accelerates, the need to revamp financial information management is becoming more acute.

Taking the right steps to modernise accounting management systems will help businesses of all sizes overcome legacy challenges and gain insights that will help them improve productivity, reduce costs, and prepare their business for rapid growth and innovation.

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"My team is too skilled to spend time performing duplicate data entry. They need to spend their time and talents more strategically."

Sudesh Galhenage, CFO, Hope's Home

Financial management challenges: Inefficient procedures and outdated reports

The Foundry survey of more than 800 financial and accounting leaders at medium-sized businesses globally, paints a picture of busy finance teams frustrated by time-consuming manual processes. For example, 74% said the time they spend on accounting, compliance, and the financial close inhibits their work on strategic projects.

Despite the prevalence of financial software, many leaders still comb through siloed departmental records and databases to piece together a comprehensive view of operations. On average, one in three tasks associated with the financial close take place outside of financial/accounting applications, the survey found.

"The information contained in some financial management programs is often isolated and specific. Executives who need to report across silos have to search for the data they need and export it into a spreadsheet or database to make sense of it and create reports," says Scott Freedman, director of marketing at Sage Intacct.

Many finance teams also feel hamstrung by a disconnect between the pace of business and their financial processes: 72% say company leadership requests real-time financial information outside of normal reporting periods.

"Finance is dynamic and ever-changing, but for organisations using entry-level accounting software, reports are stuck in time. They don't provide the real-time information leaders need to make accurate planning and forecasting decisions," Freedman says.

Managing back-office technology is another struggle. Data gathered from separate applications is often calculated and formatted differently. Nearly one-third (32%) of executives acknowledged lost productivity caused by time-consuming manual processes. Other frustrations of the financial close process include keeping up with technology updates (34%), meeting or staying current with compliance requirements (30%), and the need to provide employees with anytime/anywhere access to data (29%).

What a good financial management system looks like

Leaders see room for improvement in nearly every phase of their financial processes. Priority number one is improving efficiency and reducing costs, cited by 54% of respondents.

Improving financial reporting capabilities was another top priority (48%).

Executives also worry about falling behind as cyberattacks grow more numerous and threats more sophisticated: 43% cited an acute need for strengthening security controls.

Stymied by departmental silos, 44% say improving data availability is a priority, 40% see a pressing need to unify systems and data, and 36% would like to improve the visibility of financial information across the organisation, enabling business units outside of accounting to make better use of it. Tools such as Slack and Microsoft Teams don't always do the job.
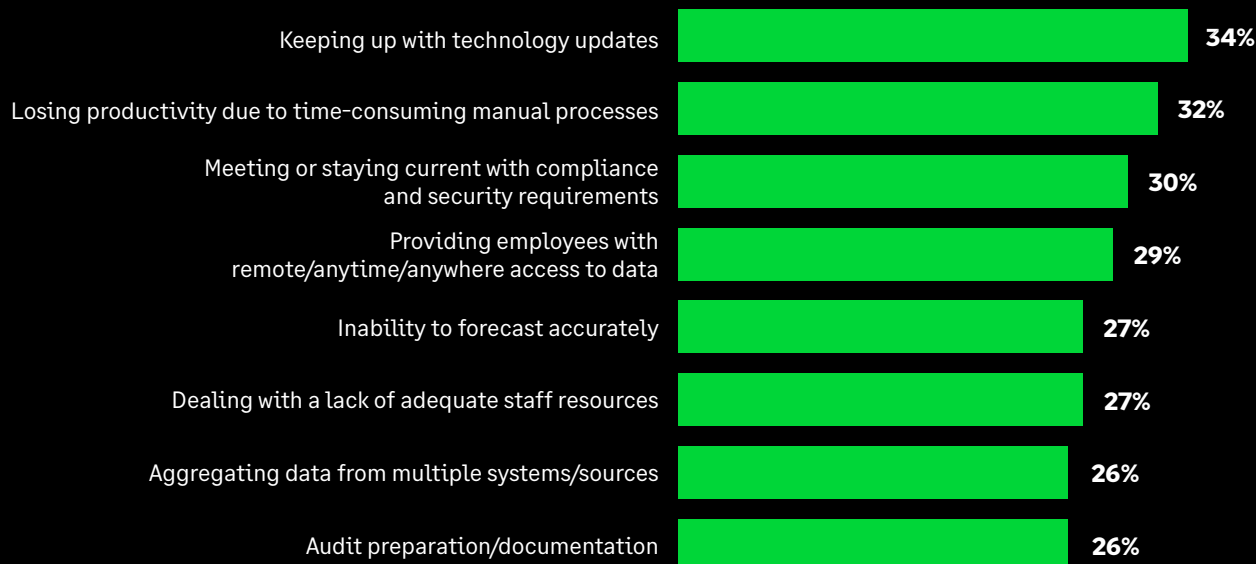
"Chat apps and community functions are great for bringing work groups together, but they don't address data inputs. People still have to gather the information they share, and it may be out of date," Freedman says.

A paradigm shift: Moving mission-critical systems to the cloud

As the digital economy accelerates and hybrid work becomes the norm, the trickle of financial applications and other key enterprise resources to the cloud has become a flood. More than two-thirds of business and technology leaders said their organisations have accelerated cloud migration over the past 12 months, according to the Foundry **2022 Cloud Computing study**. And 72% said their organisations are defaulting to cloud-based services when upgrading or purchasing new technical capabilities, a trend many executives also mentioned in the MarketPulse survey.

Leaders who join their peers in shifting operations to the cloud will gain a significant opportunity to improve their processes. A modern cloud-based platform addresses many of the challenges financial executives are experiencing:

| Most frustrating aspects of accounting and financial close

Aspect	Percentage
Keeping up with technology updates	34%
Losing productivity due to time-consuming manual processes	32%
Meeting or staying current with compliance and security requirements	30%
Providing employees with remote/anytime/anywhere access to data	29%
Inability to forecast accurately	27%
Dealing with a lack of adequate staff resources	27%
Aggregating data from multiple systems/sources	26%
Audit preparation/documentation	26%

Source: Foundry MarketPulse survey, January 2023

| Most critical priorities for finance or accounting leadership

Priority	%
Improving efficiency/reducing costs	54%
Improving financial reporting capabilities	48%
Improving the accuracy of data for real-time decision making	44%
Improving data availability (e.g., 24x7 access)	44%
Strengthening security controls	43%
Unifying systems and data	40%
Improving collaboration	39%
Talent engagement (retention, development, recruiting)	38%
Improving visibility across entities and locations	36%
Shifting away from manual work in favor of analysis/higher-value tasks	32%

> "Visibility across our operations is needed to understand our growth and profitability by many different factors. Scalability is crucial, since we're growing so quickly."

Marc Dumont, Chief Executive Officer, GetPaq, Inc

Improving data accuracy and integrity.

Integrating financial data on a single cloud platform gives everyone a common, updated, and accurate set of numbers to work with. Standardised formatting resolves data integrity issues when calculations are performed with different measurements or updated at different times. Teams doing budgeting, planning, and other tasks no longer must send spreadsheets and emails back and forth to coordinate their numbers.

"When you have a single source of truth, it's almost like having a continuous close—you're not waiting for a defined period to reconcile things. It saves people a tremendous amount of time, which they can spend on higher-level tasks," Freedman says.

For example, using a unified platform enabled family-owned investment firm Halstatt to cut the time it takes to do financial asset valuation from 100 hours to just a few. As a result, the company has been able to take on more business without hiring additional staff—doubling its assets under management and gaining time to look for investment opportunities.

Boosting productivity and providing real-time results with automation.

In the cloud, businesses can automate many time-consuming manual procedures, processing information with the click of a button. In Foundry's 2022 State of the CIO study, 79% of business and IT leaders said automating processes has gained importance over the previous 12 months. For finance teams and business leaders, automation is a game-changer, providing updated financial results at any hour. "Reports no longer have to be stuck in time—you're always able to make decisions based on the most up-to-date information possible," says Freedman.

Automation also enables companies to slice and dice operational data at a highly granular level. Tagging assets and transactions by location, product line, project, employee, and other factors allows managers to easily determine the business value of transactions and assets that may not be separately accounted for in traditional spreadsheets. These types of capabilities enabled courier company Quicksilver Express to track revenue and expenses for each vehicle in its fleet, saving US$100,000 a year on insurance payments.

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By reducing manual processes, automation also eliminates some of the errors that plague traditional reporting. Any manual transfer of information introduces the risk of errors that could affect the accuracy of analysis, and these might not be caught until auditors arrive weeks or months later.

The extra time spent reconciling data comes at considerable cost. Human error in finance runs organisations an average of US$878,000 per year, according to **Gartner**. It also results in 25,000 hours of rework. **A McKinsey study** found that automation could raise global productivity growth by 0.8 to 1.4% a year.

Using AI for alerts and forecasts.

Although automation ensures accurate data transfers, supplementing with AI capabilities eliminates other kinds of human error—for example, flagging irregular inputs such as double entries. By analysing large data sets over time, AI helps leaders to make more accurate, widescale forecasts about supply and demand. When used in the field, AI-powered sensors can monitor equipment and suggest maintenance fixes before a breakdown, preventing expensive downtime and repairs.

"AI discovers patterns, allowing companies to manage their capital and inventory better and save money. You can get better about predicting the future, instead of just reporting on the past," Freedman says.

Improving data sharing and collaboration.

A unified financial management platform helps people across the organisation to obtain and share real-time data affecting their operations. More than half of finance departments struggle to provide reliable data and reports that inform stakeholders' decisions, according to **Gartner**.

To help other business units organise financial information, companies can use dashboards with customised visual displays. More than half of the organisations polled in Foundry's 2021 Data and Analytics survey are now piloting or using dashboards and data visualisation tools.

"Dashboards are a hugely important resource for people whose core responsibilities aren't financial. They portray the data in a way that's relevant and easy to understand," Freedman says.

Like finance managers, employees in other departments can drill down into the data to examine their processes and business results, using analytics to model potential changes.

"They can make much better decisions based on data they didn't have access to in the past," says Freedman.

Strengthening security and compliance controls.

Hybrid work has vastly expanded the IT estate, creating more opportunities for cybercriminals to exploit remote access and other vulnerabilities. Payment and transaction systems are attractive targets, and with cyberattacks **up 31%**, finance leaders are increasing their focus on security.

> "I want to make sure that each of the different departments' stakeholders know exactly what's in their budget, what they've spent, if they're a revenue owner, where the revenue is, and that they can actually see and slice and dice that."

VP of Finance, Retail

At the same time, compliance requirements across business sectors are multiplying, with organisations having to follow detailed rules to meet the standards of Sarbanes-Oxley/Bill 198, PIPEDA, PHIPA, GDPR, AASB and other regulations.

Keeping up with shifting security and compliance rules diverts leaders' attention from strategic work. By consolidating financial information on a platform built for the cloud, they can reduce the time spent on management chores while also reducing risk.

Unlike legacy financial applications that are later transferred to the cloud, cloud-native software contains built-in controls for compliance and access, keeping intruders out and ensuring that only authorised people have access to sensitive data.

Automated controls also provide proof to auditors that compliance rules are always followed.

Updates and patches are implemented automatically, saving countless hours of labour, and closing the loopholes attackers seek to exploit. And cloud-based monitoring unearths and cuts off suspicious activity before it leads to a data breach.

Helping your business grow.

Adding customers, creating new business lines, and responding to rapid demand changes can put significant strain on the backend resources of companies using legacy finance systems.

"On-premises systems are self-contained. Even if you move them to the cloud, you have limitations if you try to make changes to software components or allocate services to new servers in order to scale," Freedman says.

Cloud-native applications foster agility, allowing companies to scale operations quickly and change processes such as billing and payments without re-engineering a long chain of dependencies.

"Cloud-native solutions handle traffic demands very well and

ensure a good user experience," Freedman says. "Performance stays the same whether a report is run at a time of peak demand or during off hours."

Cloud-native platforms also help companies connect to large ecosystems of third-party applications to access innovative products and features. In an era when new payment systems are proliferating and fintech competition is expanding, new services can make your business more attractive to customers. Eighty-eight percent of banking leaders say cloud-native applications have improved their organisations' agility, and 84% say they have helped increase revenue and cut operating costs, according to **Capgemini**.

"The advantages in the long run for user experience and scalability are too big to ignore," Freedman says.

Building
an agile future

Today's medium-sized businesses require speed and agility in financial management. Inefficient manual processes, opaque and scattered data, and reports that are stale by the time they're published prevent business leaders from getting a reliable picture of finances and making accurate business forecasts. By integrating applications and data on a cloud-native platform, finance leaders can automate tedious processes and gain real-time insights into operations. Ultimately, this would engender decisions that improve productivity and profits.

A modern financial management system helps finance teams focus on delivering insights and innovative services that help grow the business.

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Sage Intacct's modern, cloud-native solution delivers the financial and accounting capabilities you need to manage your business and stay ahead of the curve:

Data integrity and real-time insights to make informed management decisions

Automated reporting to boost productivity and worker satisfaction

State-of-the-art security and compliance

Speed, agility, and the capacity to incorporate financial innovation

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