CFO Compass Survey 2023

Speed & Agility:

The ultimate goals of a Mature Finance Function

Exploring the findings from the Finance Function Maturity assessment among CFOs of companies in the SEE region

Content

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Last year has been an important test for companies around the world. Thanks to investments in innovation and technology, the market leading organisations were able to develop and increase competitiveness, despite unfavorable conditions.

In SEE region, we still observe a low level of advancement in the use of next generation information technologies and cloud services. And it is in these solutions that the greatest potential lies. CFOs need IT solutions that are highly scalable, flexible and quick to implement. Today, using the potential of the cloud is indispensable when building a data-driven organisation. What is required for building value for business is a comprehensive approach to digital transformation, building on existing risk management processes and emerging IT trends to strategically change business models and accelerate time-to-market.

Savin Dyankov

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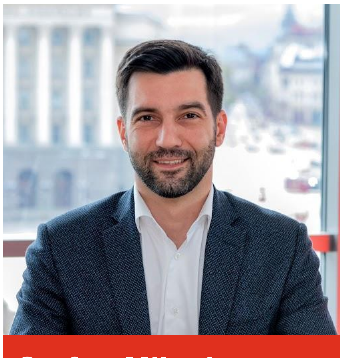
Speed, flexibility, precision, efficiency. These are just some of the properties needed to deal with the modern business environment and its accompanying specifics. In times of economic uncertainty, these characteristics become must-haves. We have seen business needs change dramatically and financially, along with all other units, undergo a transformation regardless of their readiness.

The main task of the finance function is to support strategic decision-making. The questions every CFO should be asking themselves are what this would look like in the next two, five or ten years. What are the industry's best practices and what is the target operating model for an organisation to aspire to? What is needed to achieve such goals? An individual approach should be applied – tailored to the needs of the company for every finance function transformation.



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Automation, robotic processes, implementation of artificial intelligence are among the top priorities for a modern organisation. Investments in technology are key initiatives, as companies are focusing on speed and agility, on increasing people's competences and skills, and on implementing advanced technologies such as AI. The same trends are observed in the world of finance and data processing.

Our experience shows that projects focused on the implementation of new technologies, digital systems and solutions require significant investment of resources – financial and organisational. If there is no clear action plan, such initiatives could cost millions and last for years, without actual results.

The findings from the “CFO Compass Survey 2023” show that in SEE only 9% of the companies can be considered to have a mature finance function. However, the developed maturity index shows that even those ones have catching up to do in order to make up for the gap in the individual categories covered by the survey. It turns out that the list of tasks waiting to be implemented by the financial departments is still long.

In addition to discussing the key conclusions and results of the survey, this report will also present a profile of what a mature finance function looks like and what the actions that will allow you to join the group of transformation leaders are.

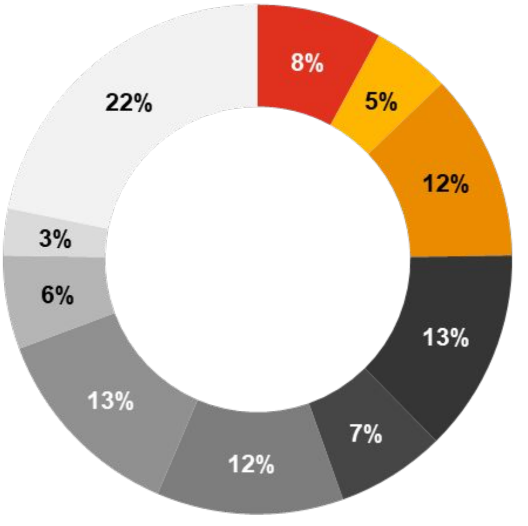
CFOs from 127 companies operating in the SEE market from over 10 industries, with average revenues of EUR 60 million for FY22 and 450 average full-time employees on annual basis, took part in the "PwC CFO Compass Survey 2023".

Finance Function Maturity Assessment

PwC CFO Compass Survey 2023

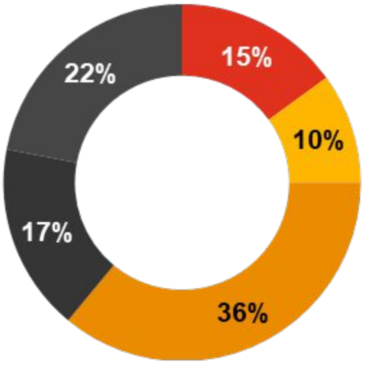
Over 10 industry sectors

- Energy / Oil & Gas / Mining Sector
- Transport and logistics
- Technology
- Manufacturing industry
- Food industry
- Consumer goods and retail
- Financial services (banking, insurance, etc.)
- Engineering / Construction
- Healthcare
- Other

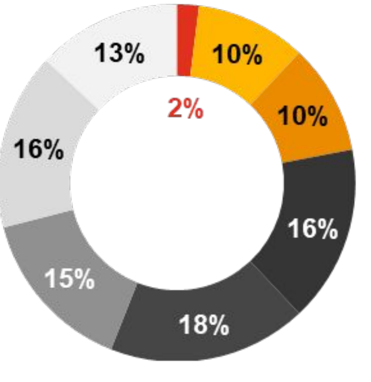


60 mil EUR
Average revenues for FY22

450 people
Average number of full-time employees on annual basis



- Less than EUR 5 million
- EUR 5-10 million
- EUR 10-50 million
- EUR 50-100 million
- Over EUR 100 million



- Less than 10
- 10-20
- 21-50
- 51-100
- 101-250
- 251-500
- 501-1000
- Above 1000

What is a mature finance function?

The mature finance function focuses on grouping work into task types, for example – reporting, management, and planning, based on business partnerships with other areas of the organisation, rather than structuring financial departments into traditional areas like accounting, controlling, or taxation.

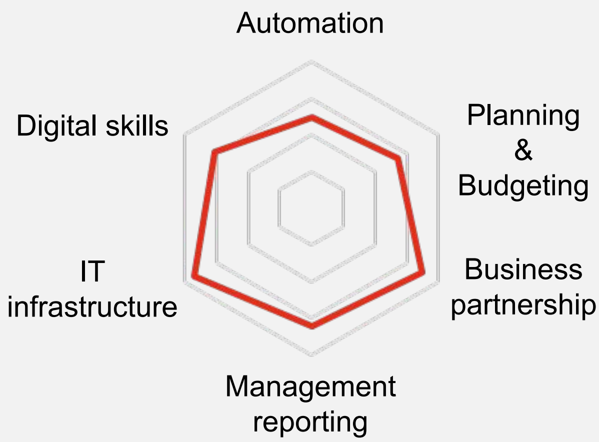
In order to fully address the needs of the management board and stakeholders, the CFO must be a business partner for the business needs. In order to prepare for the risks and opportunities arising from the changing market environment and to provide effective support to business owners, there is a need to improve and establish a mature finance function.

10 features of a mature finance function

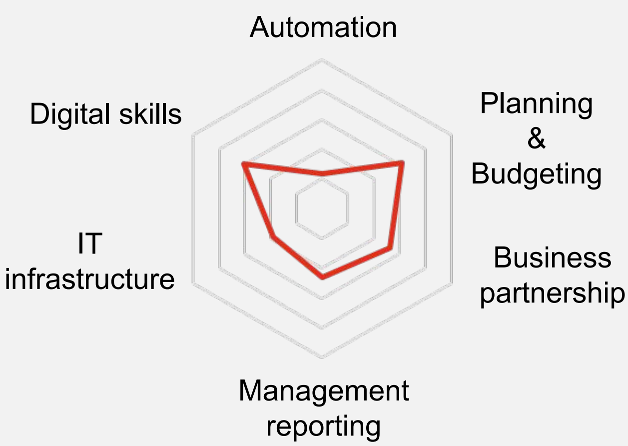
1. Driver-based rolling forecasting that is both **effective and adaptable**, enabling scenario modeling and sensitivity analysis.
2. An integrated **planning process** that eliminates encapsulated and isolated procedures.
3. Established procedures in the areas of working capital (NWC) and investment expenditure (CAPEX), resulting in **proactive cash flow** management.
4. Quick, remote **month closing** – less than 3 business days.
5. **Self service management information** (defining reports independently), tailored to the needs of the organisation.
6. Manage data sources with appropriate technology and tools.
7. Low value-added processes to be **automated**.
8. Utilising **robotisation** to eliminate day-to-day activities with low added value.
9. Outsourcing non-essential processes.
10. Qualified and capable **financial team**.

Finance Function Maturity Index

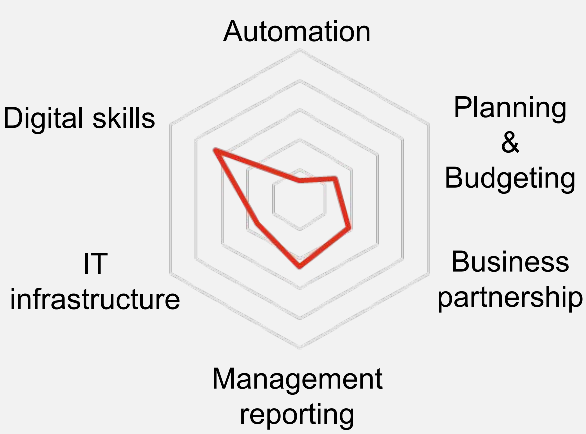
9% Ready for the challenges of the future



47% In the process of transformation



44% Before the transformation



9%

of the surveyed organisations on the SEE market can describe their finance function as mature.

The survey results indicated that only 9% of respondents had a finance function that could be considered mature – i.e. the results obtained according to the index classification for 4 categories and above were in the upper quartile of scores.

47% of the respondents obtained a result indicating that they **are already in the process of planning activities towards the transformation of the finance function.**

However, a significant part of the surveyed companies – **44% of the respondents – are still at the stage of organising the so-called foundations of the financial area**, creating the foundation for future transformation.

Analysing the survey from the perspective of individual areas, Planning & Budgeting, Business partnership and Management reporting are comparatively developed, as in each segment **more than 30% of the companies fall in the scope of the top performers.**

However, they fall behind regarding some of the other components.

IT development, automation, as well as employees' digital skills seem to be the components that are more neglected by companies. **Only 17% of them define their IT infrastructure and the level of automatisation as developed**, because of the different tools that have already been implemented.

Finance Function Maturity Index

The financial department needs to respond quickly to the information and decision support needs of the company. In order to provide information for critical business decisions as promptly as possible, the first steps include changing management reporting, planning, and budgeting processes. Due to time pressure on processes, such as periodically updating plans and conducting rolling cash flow forecasts, significant efforts are often required not only in the financial area but also across the organisation.

For the purposes of analysing the survey results, the Finance Function Maturity Index was developed - it covers the assessment of defined maturity features in the following areas:

Business partnership – a part of the Index measuring how much corporate support there is for decision-making. Organisations using an agile business support approach, where the financial department advises business areas based on prepared data, while taking the organisation's overall strategy into consideration, typically achieve high outcomes.

Management reporting – a part of the Index that evaluates how quickly management reports are prepared, how far they have come, and how well they are tailored to the needs of the organisation. Organisations with a process and IT architecture that facilitate the proactive provision of management information, indicating opportunities and hazards originating from the organisation's changing market and regulatory environment, are characterised by high values.

Planning, budgeting and forecasting – components of the Index assessing the level of advancement in planning procedures within the organisation. High values indicate that the planning procedures are connected with business requirements and are efficient both technically and procedurally.

IT infrastructure – a section of the Index that evaluates the organisation's entire strategy for digital development, taking into account collaboration with business users as well as the use of new technology. Organisations with high values are ones where personnel are becoming more digitally aware and where business needs are evolving alongside technology advancement.

Automation – a component of the Index that assesses the level of automation of repetitive tasks within the organisation. High results are associated with organisations that maintain an automated work environment, enabling employees to focus on analytical tasks, thereby adding value to decision-making processes, rather than spending time verifying the quality of presented data.

Development of digital skills – a component of the Index assessing the organisation's attitude towards the development of digital skills in teams. High results are characterised by organisations in which business users have the knowledge needed to efficiently use the implemented technological tools and there are training opportunities to deepen their knowledge in new technologies.

The CFO's plans indicated in the survey clearly outline the priorities for the transformation of the financial area towards Business Partnership

There is full or partial implementation of key processes

69%
of the CFOs have rolling forecast processes covering P&L and CF, and for 61% the rolling forecast cover also key KPI

71%
Perform CAPEX monitoring and forecasting, as well as management reporting to the reported business needs

76%
of the CFOs have a process for monitoring and optimisation of costs

Technology support still needs improvement

41%
Perform the reconciliation process as accounting data is loaded into spreadsheets, which depend on manual adjustments

45%
Have a system that should be replaced or upgraded, as it doesn’t meet the expectations for supporting the finance function

69%
of the CFOs rely on static reports and examining past data. For 5% there is no management reporting on a regular basis at all

Acceleration in the next two years

42%
Plan on implementing a consistent process and tools for management reporting

44%
Plan on implementing a consistent process and tools for planning and budgeting

46%
Will adapt employees' competences to challenges related to technological development

Business partnerships in changing and uncertain times

The financial services industry is often seen as a cost center, but it can be transformed to a profit center under the guidance of a good leader. This shift, however, requires a CFO with strategic mindset, in order to protect the organisation from threats resulting from the business climate, and in turn take advantage of them, improving performance and competitiveness.

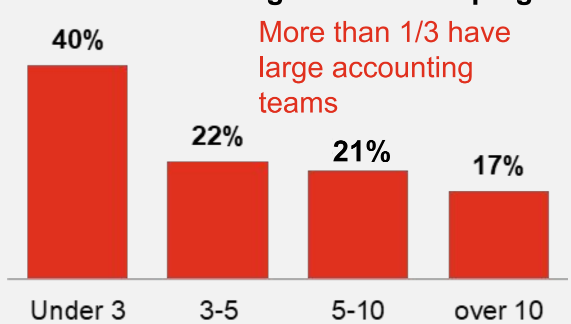
This means going beyond traditional cost management processes and adopting a strategist's perspective. In order to advice the CEO and the Board properly, the CFOs must know details about the challenges and the opportunities facing the organisation, what the limitations and the next steps are so that they can focus on the value-building processes.

Traditional processes with lower added value are still strongly involved in the structure of the financial area.

Question:
List the organisational units (teams, departments, offices) reporting to the CFO. Indicate the number of employees in each unit.

Competencies with low added value for the business and a historical perspective prevail

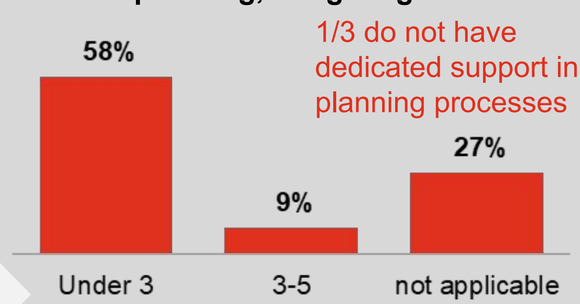
Financial accounting and bookkeeping



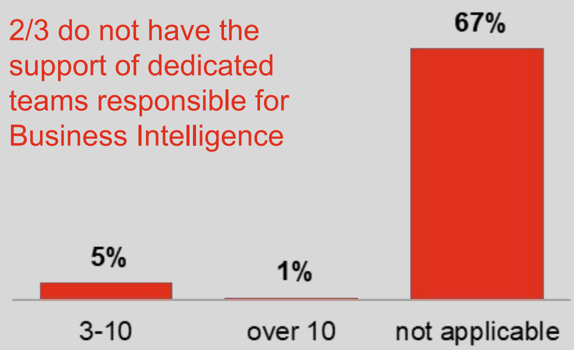
Controlling management reporting

Key competencies for the finances of the future still remain in the minority or do not exist at all

Financial planning, budgeting



BI competence center



Note: Percentages shown may not total 100 due to rounding.
Source: PwC CFO Compass Survey |

Most of the respondents still have the finance function in the domain of traditional accounting and management reporting, often limited to cost monitoring. In SEE, the segments and competence centers that deal with forecasts and use modern technologies are still a small percentage of the structure of the finance function of the organisations.

Accurate and timely data about the factors and the market forces driving the business is important for the CEO's decision making process, as it has impact on the business strategy. Therefore finance must go beyond just knowing the numbers to get the bigger picture, but understand the connection and correlation between the different functions of the organisation work, as well as between key business drivers to ensure successful strategy execution.

Effective strategy implementation should be done through an integrated approach to planning processes

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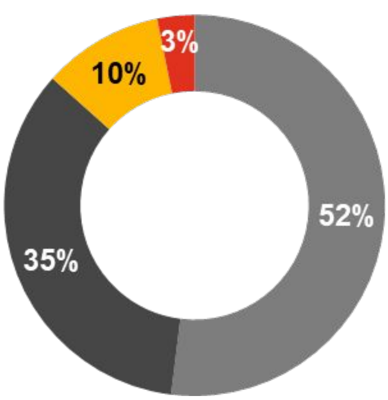
Question:
How do you assess the level of integration of current planning processes within the organisation?



- Planning is fully integrated, carried out jointly by the area of finance and operations.
- Planning process is performed within the financial area based on previously agreed and approved scenarios by the organisation.
- The area of finance prepares only part of the analysis in consultation with the organisation. At the same time, business areas prepare independent scenario analysis for their own needs.
- The area of finance prepares analysis without consulting with the business. At the same time, business areas prepare their own plans and analysis.

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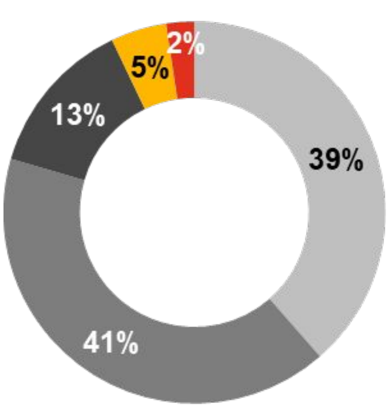
Question:
How long does the annual planning process take?



- less than 30 days
- between 31-60 days
- between 61-90 days
- between 91-120 days
- over 120 days

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Director,
Capital Markets &
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The increased interest in the use of business planning software to facilitate consolidation and reporting processes is leading to the emergence of more competitive players on the market. When implementing such systems, it is advisable to seek help from an external partner with deep competence in financial planning and analysis, in legal reporting and the regulatory framework, as well as in data processing, in the technical capabilities of the specific product and last but not least - they need to be familiar with the best practices in the organisational structures and business processes.

Due to the dynamics of the market, planning procedures based on data gathered from ERP, CRM, SCM, and other systems are becoming more and more active not just for the finance but also business and other support functions. Only with the assistance of suitable integrated planning tools can the full potential of this approach – known as extended planning and analysis –be realised. The survey revealed a noteworthy finding: a considerable proportion of participants said that the planning process is entirely automated, utilising an integrated technology that facilitates the simultaneous planning of many domains, including business and support operations, with the annual planning process in the majority of participants taking up to 2 months. With the help of these solutions, many corporate divisions can collaborate on the same data and view real-time changes that have been made in a variety of fields, including marketing, supply chain management, and employment. This makes it possible to control strategy implementation more effectively and to make fast, accurate business decisions. This is corroborated by the fact that more than half of the participants use a combination of top-down and bottom-up approach in their budgeting process.

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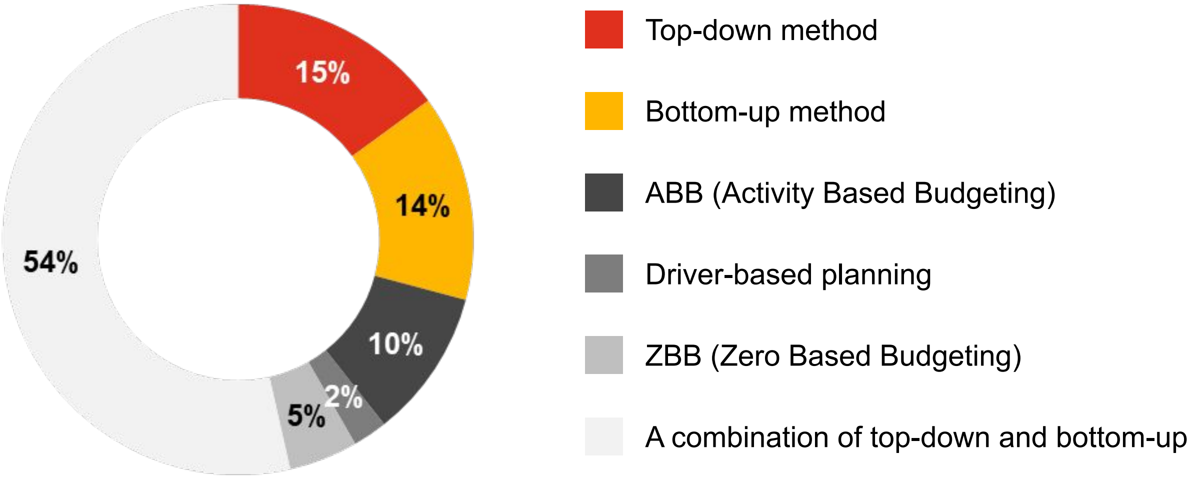
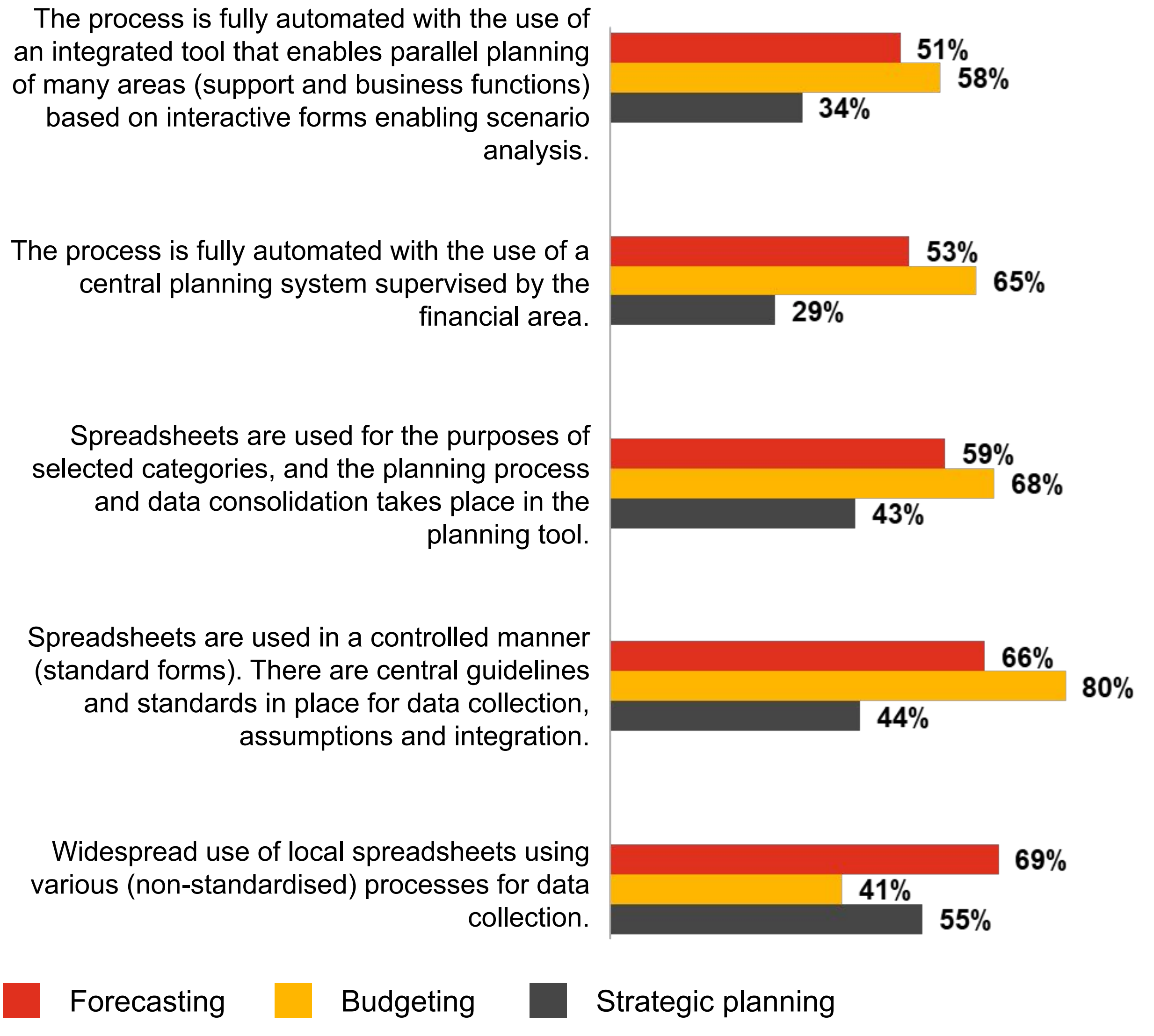
Question:
What method is used in the budgeting process in your organisation?



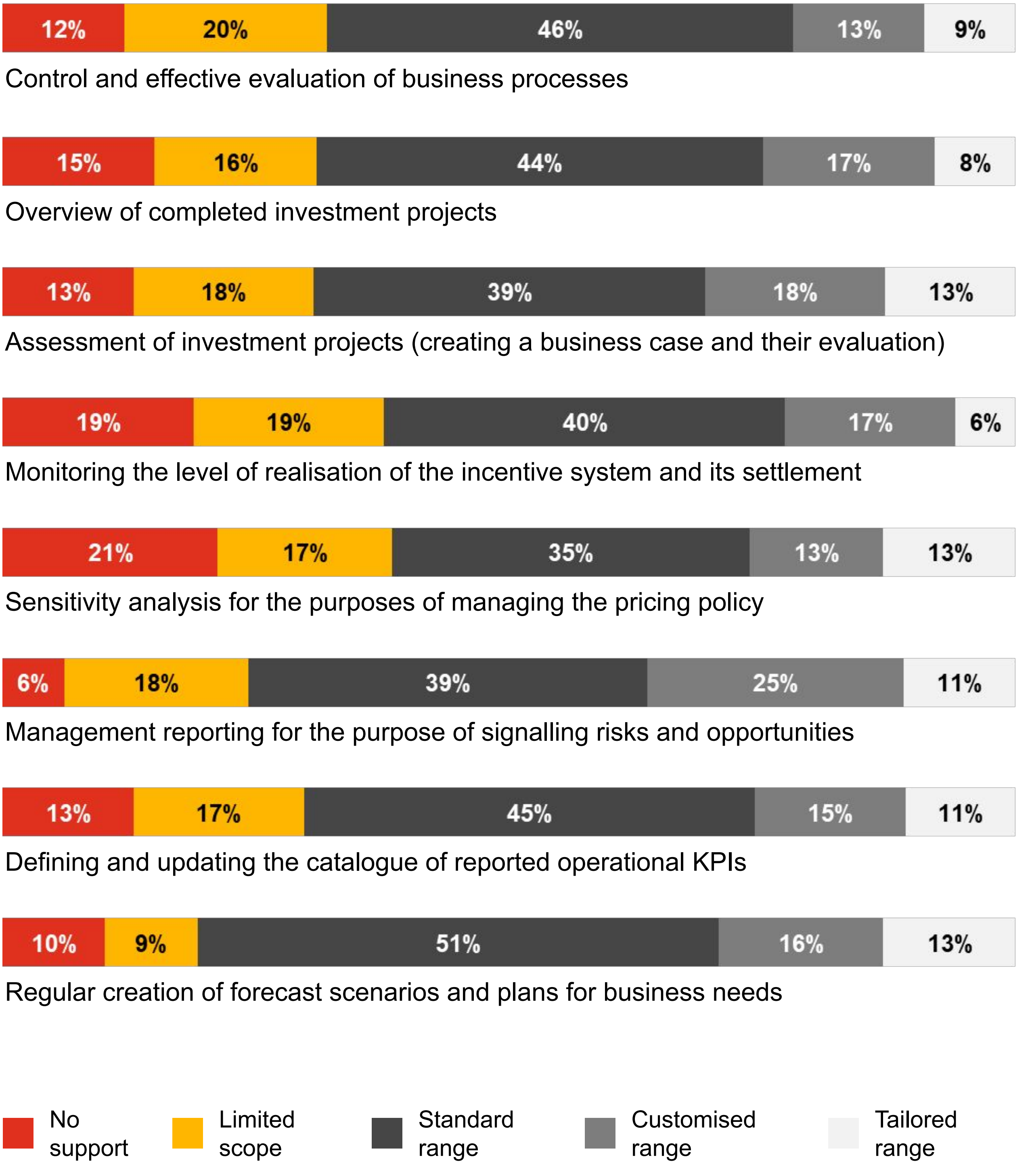
Question:
Which characteristics best describe the technology available for budgeting, forecasting and planning?



Technology plays a vital role in forecasting, planning, and budgeting by managing large data volumes to enhance prediction accuracy. It speeds up processes and employs advanced analytics for more precise decision-making. Through scenario planning tools, it enables the evaluation of multiple outcomes for better strategies. Moreover, it fosters collaboration among teams, adapts to changes effectively, and derives valuable insights from historical data trends, all contributing to the efficiency of these crucial business functions. The participants in the survey have shown that there is a long road ahead for automation in this area, as less than a third have automated strategic planning processes and still rely on the usage of spreadsheets. Forecasting processes are more developed in the automation area, as half of the participants have automated processes. To improve efficiency, accuracy with complex data and focus on strategic decisions, CFOs must look for higher level of automation in planning.

Finance must focus more on signaling risks and opportunities

To what extent can finance support business in particular processes?



Tailored range

- A dedicated team in the area of controlling to meet the needs of a given process;
- Current and flexible reports and analyses for the implementation of initiatives that build value and efficiency;
- Ongoing communication of conclusions based on forecasts and multidimensional scenario analyses;
- Support for operational and strategic processes that require making decisions based on analyses, e.g. pricing policy, purchasing processes, efficiency initiatives, reviewing contracts.

Customised scope

- Providing analyses based on historical data and preparing standard forecasts;
- Scope of reports based on financial data, incl. a limited set of operational analytical data and KPIs;
- Regular communication of recommendations for improving efficiency based on monitoring deviations;
- Participation in the process of cost management and monitoring of cost optimisation projects;
- Support in preparing assumptions and analyses for corporate processes.

Standard scope

- Regular provision of an agreed set of historical financial data for the purposes of preparing their own business analyses by areas;
- Standard scope of reports based mainly on financial data and the agreed scope of KPIs;
- Performance monitoring vs. planning;
- Cooperation in the field of central corporate processes according to the standard approach adopted for all processes: budget control, planning process.

Limited scope

- The controlling area is not involved in supporting a given process in the field of business analysis;
- Support is provided by resources located outside the controlling area.

No support

- Finance doesn’t not provide adequate support to the business

The path to financial transformation

Fundamental transformation of the finance function

Galloping digitisation

Dynamically changing market environment

Digital maturity

First address the basics

Start from the standardisation processes, data structuring and ERP systems.

We make financial transformation

Using tools, technologies and financial teams' skills can increase efficiency throughout automation or centralisation of shared services.

Embrace future technologies

Benefit from the adoption of new technologies, which will provide data-driven insights.

Collaborate with finance in the digital competition

The growing expectations, high competition and the dynamic environment require ongoing adaptation of the finance function to the business needs.

Holistic transformation of finances

Improvement of the finance function – from a support department, which looks at the historical data, to a business partner taking part in the planning and strategy creation for the organisation.

The path to financial transformation

Deyan Savov

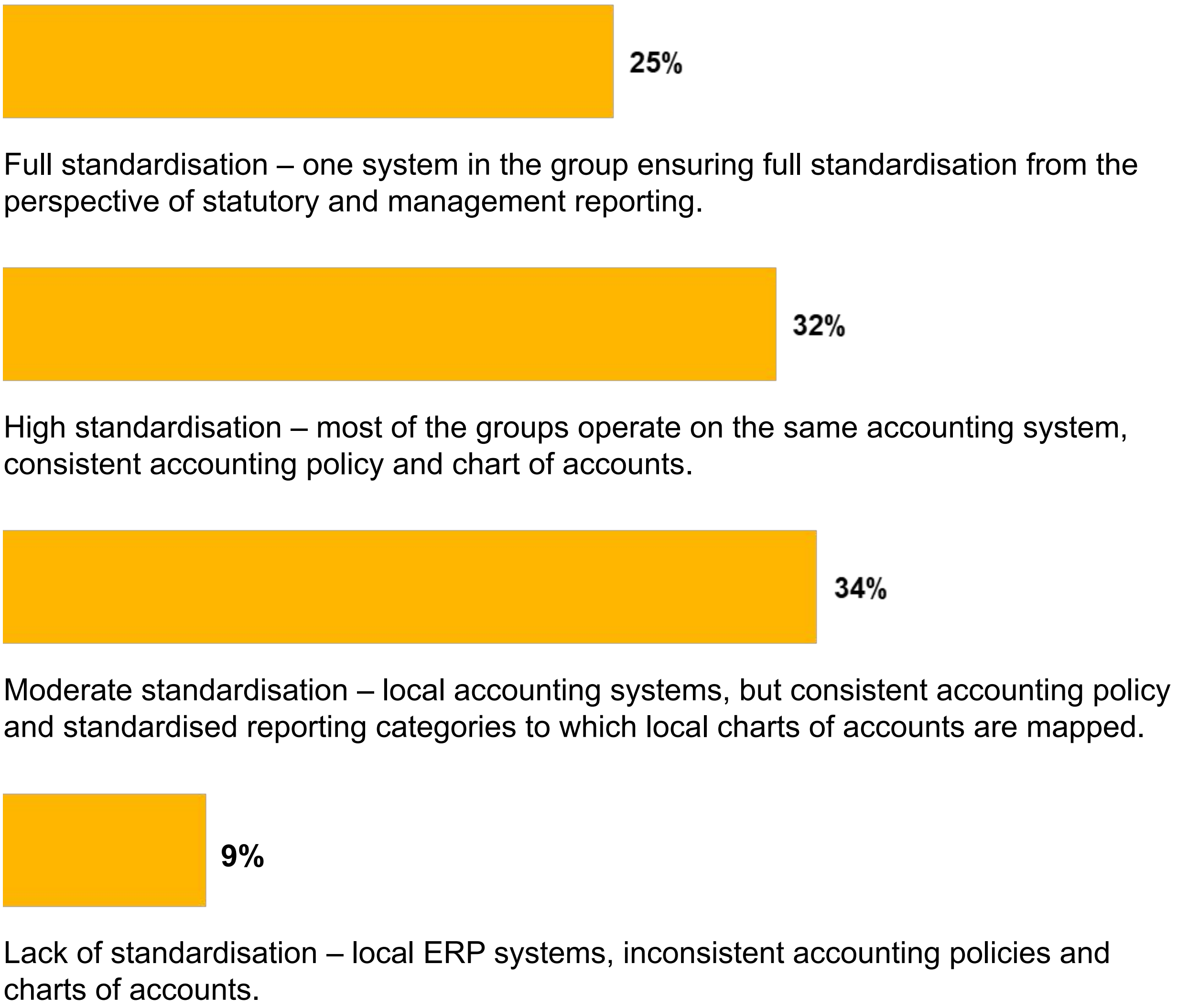
Senior Manager, Governance, Risk and Compliance Lead for South East Europe

New technologies and business models continuously emerge on the market. The desire to be on the forefront of key technological trends, to implement new systems and to reimagine the internal processes is often influenced by inflated expectations of their utility and maturity, and a focus on product functionality without attention paid to the disruption that this might bring to the company structure and control environment. The constant pressure on management to innovate for competitive advantage may result in organisations losing sight of the business risk involved unless they are diligent and make a compelling business case analysis.

Every organisation should consider both the potential gains and possible losses of pursuing new ventures, which is enabled by an active dialogue and regular communication between the Risk function and Senior management.

A well-managed change control process ensures that new processes and technologies are not implemented until the management has been able to validate the impact of the change and enable appropriate controls. If the leadership or the IT department are unwilling to review and integrate new technologies and innovation, the business will find ways to implement them regardless, putting the organisation in a vulnerable position, where the true risk profile is unknown even to Senior executives. Thus the role of effective risk management should assist in maximising opportunities. As professionals, we should always keep the duality of risk in mind.

Question:
How do you assess the degree of standardisation of financial data in the companies of the capital group?

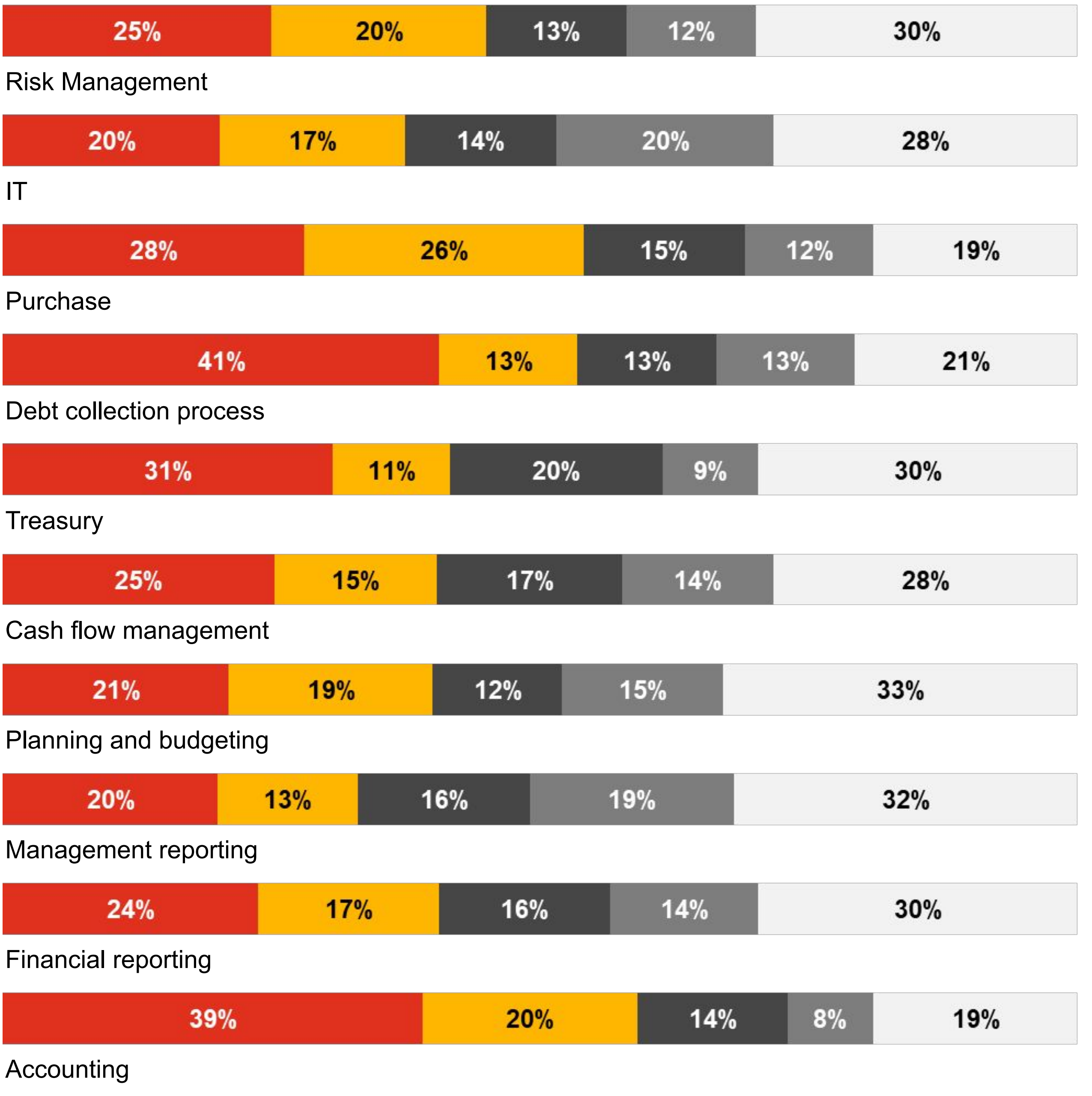


Note: Percentages shown may not total 100 due to rounding.
Source: PwC Compass CFO Survey |

Financial transformation begins with standardisation of processes and financial data. Standardising financial data across a group ensures consistent, comparable information, enabling more informed decision-making and efficient analysis while promoting transparency and trust among stakeholders. It streamlines processes, aids risk assessment, and enhances the accuracy of financial comparisons within the group. The results of the participants show a positive result with more than half having high or full standardisation of financial data and homogeneous format and model for management reporting.

Organisations should focus more on centralisation (especially in areas, such as accounting, purchasing and debt collection), in order to improve decision-making, control, consistency and efficiency.

Question:
What processes in your area have been centralised within the group or have been planned for centralisation?



- No centralisation and we do not plan to centralise this process.
- Partial centralisation of the process regarding key companies and we are not planning any changes in this regard.
- Partial centralisation of the process regarding key companies, but we are planning changes in the scope of full centralisation.
- The complete centralisation of the process for key companies, does not require changes.
- Complete centralisation of the process in all companies, does not require changes.

Where to start from with financial transformation?

Processes

52%

of the CFOs confirmed that the process of adapting management reporting to new business needs was successful

The survey results indicate a new trend where a significant number of CFOs are driving the transformation process by making specific decisions based on trends in particular domains. This approach is preferred over viewing the process as a whole solely from the standpoint of business value, which may limit the understanding of the changes and provoke resistance to the transformation process.

A well-defined roadmap centered on people, technology, and processes and the relationship between them, as well as on possible outcomes that could affect the overall performance of the company is essential for success. In order to maximise efficiency while upholding compliance, such a roadmap should also include the finance function's culture and willingness for change.

First, the company needs to decide which processes are going to be altered. The question is, how do you make the choice? The ideal course of action is to first derive a list of all financial processes, which thereafter to examine, in order to optimise them and create value. When repetitive and manual labor still predominates, the initial diagnostic may be based on the identification of "bottlenecks" and "quick wins."

This will help you prioritise your work plan based on the importance of process transformation. Start with tasks that add the highest value in the shortest time and at the lowest cost.

Comparing the present procedures to the best practices is the next stage. The technology that is used in conjunction with the chosen process should also be considered when making the comparison, since only then inefficiencies can be accurately diagnosed. Even with the most advanced technological solutions and tools available, it frequently happens that these are not correctly addressed or adjusted to the flow of the process. This results in activities taking significantly longer than expected or increases the risk of anomalies in their adoption.

The CFOs pointed out that the monthly closing process and the necessity to change accounting procedures are priorities and should be taken into account in the first place. The second stage is to concentrate on procedures that are higher value-added, such as management information and planning. This is mostly because of the level of finance maturity of the organisations in the SEE region and challenges facing the CFOs - for example, in the context of optimisation of time needed for the month closing processes.

The survey shows that **more than two thirds of CFOs track elements of income statements (fixed and variable), financial results and KPIs in their monthly reporting** compared to previous year and budgets (less so vs forecasts). At the same time, weaknesses in the tools that traditionally supported these processes have been exposed. Lack of flexibility, manual input, and data inconsistencies made it impossible to create dynamic scenarios or migrate to so-called scenarios. The so-called real-time reporting is a big challenge and still requires continuous improvement. This is shown by the fact that **net working capital and cash flows are covered by less than a half of the organisations** that took part in the survey. Proactive cash flow management is a sign of a mature finance function, and those companies have a challenging road ahead to reach this.

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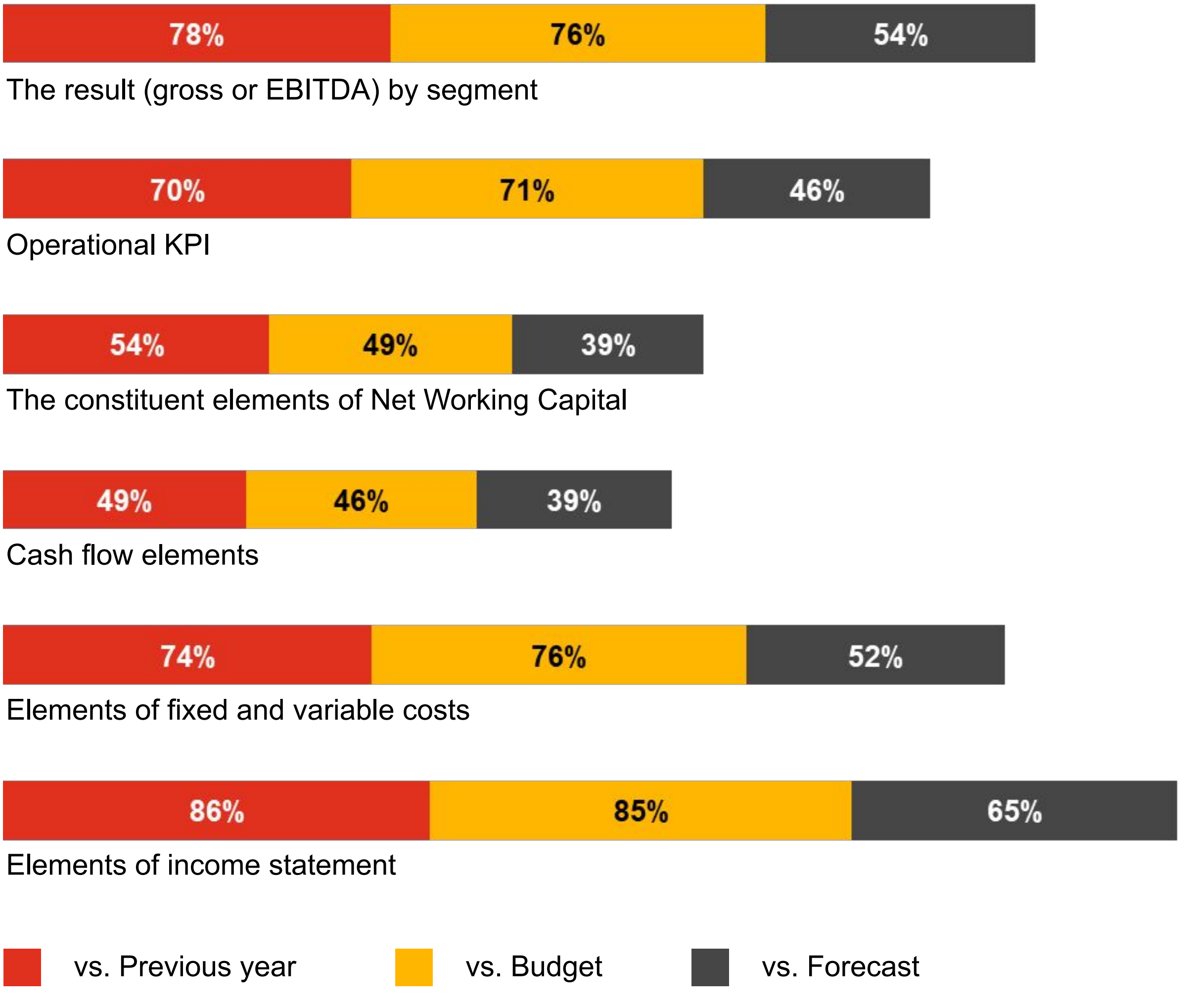
Question:
What data is covered by monthly management reporting?



Note: The total response percentages exceed 100% as this has been a multiple choice question.
Source: PwC CFO Compass Survey | © 2024 PwC. All rights reserved.

NB: The results indicated are reflecting responses of all participants

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According to the survey results, **every fifth CFO finds it difficult to reconcile statutory data and managerial data for the purpose of the preparation of monthly management reportings**. If the finance function continues to dedicate the majority of its time to these tasks, it will be a challenge to align management reporting with the business demands.

41%

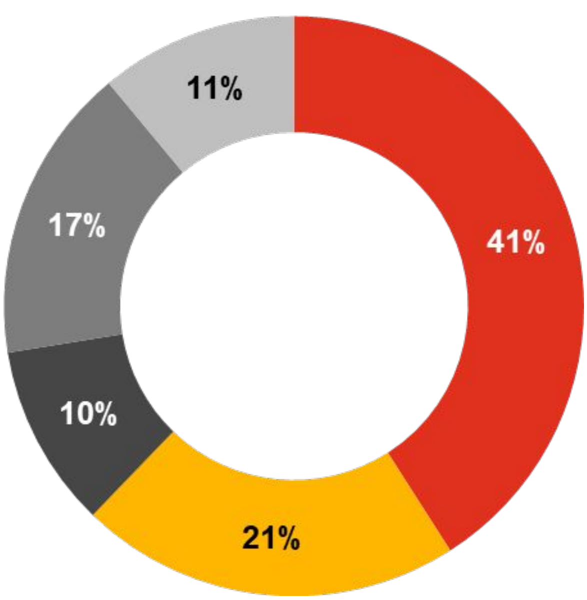
Still rely on manual adjustment of the data structure

Modernising financial processes and adopting advanced technologies reduces manual tasks and boosts overall efficiency and productivity. This eliminates inefficiencies, freeing up staff time for more demanding tasks.

Moreover, upgrading financial systems allows real-time data analysis and reporting, providing accurate insights, which on their turn enable financial teams to support strategic decision-making, driving the organisation's growth and success.

Implementing Business Intelligence into the financial processes is like giving the business a telescope. It reveals hidden value in data, leading to smart and informed choices. It enhances accuracy, adaptability, and vision – essential components for long-term success in the dynamic world.

Question:
What is the reconciliation process between financial and management data for the purpose of management reporting?



- Accounting data is loaded into spreadsheets, a manual process of adjusting the data structure for reporting purposes is necessary.
- Accounting data is downloaded to standardised spreadsheets and no manual process of adjusting the data structure to generate reports is needed.
- Standard reports for selected scopes are launched from the list of management reportings defined in the system.
- Defined management reporting at the organisation level are permanently listed in the system and automatically generated.
- It is possible to define reports on your own in the Business Intelligence Tool.

According to the survey **nearly a half of the CFOs find it difficult to perform the month-end closing procedure**, i.e. it takes more than 10 days. Therefore, it is important to examine the causes of this situation and take it into account, among other things.

More than 75% of CFOs manage the preparation of monthly management reports and reports per Business Unit / Cost Centre / Line of revenue for 5 business days or less.

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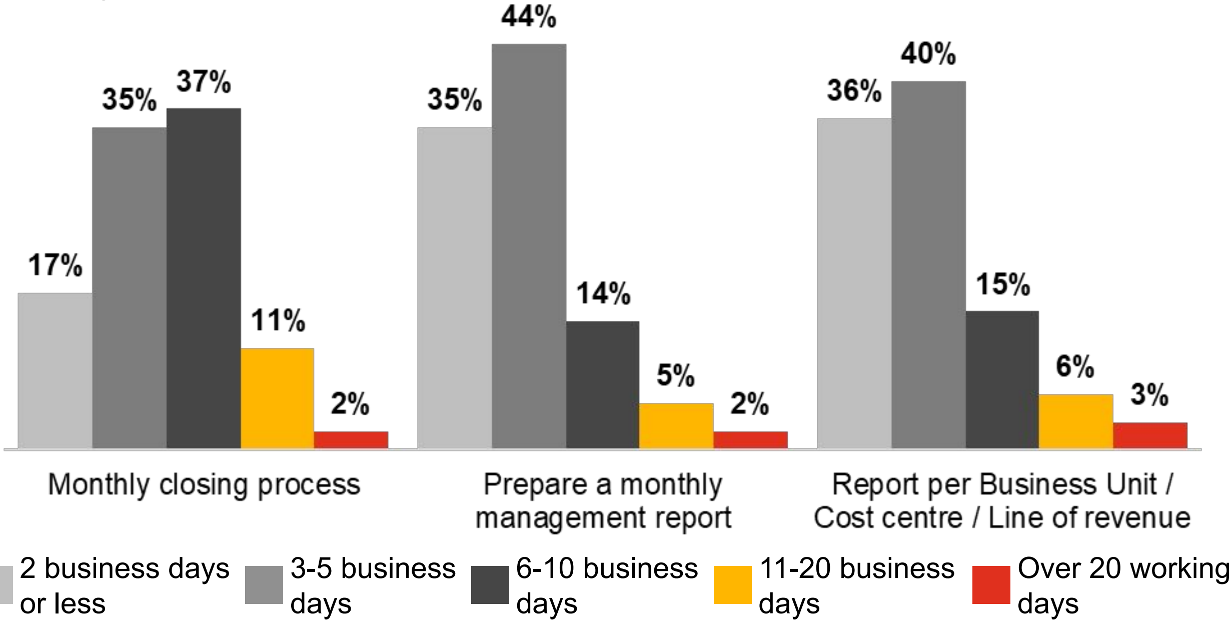
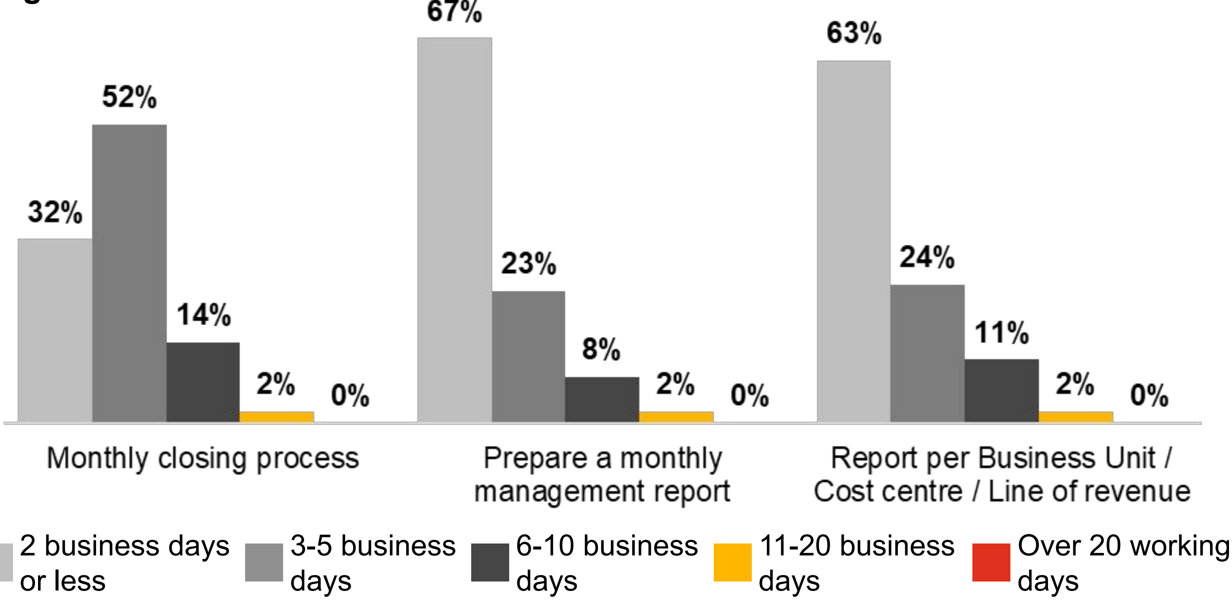
Question:
How many working days on average per month do the following processes take in your company currently? How many days do you think they should take?

Currently



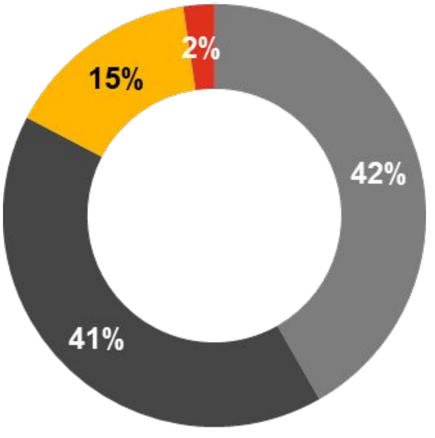
Target



Note: Percentages shown may not total 100 due to rounding.
Source: PwC Compass CFO Survey |

There is a positive trend in terms of performing remotely repetitive processes

Question:
To what extent is your organisation prepared to remotely perform the above mentioned financial processes?

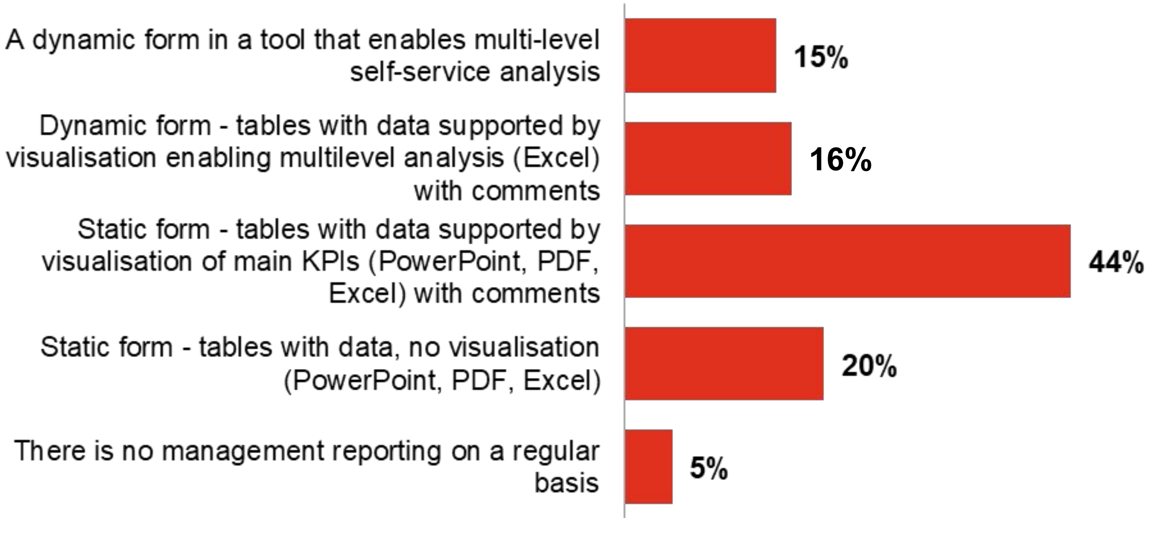


- We are fully prepared to remotely perform the financial processes.
- Most financial processes can be performed remotely.
- Only some financial processes can be performed remotely.
- Remote performing of the financial processes is not possible in our organisation.

A positive trend for the CFOs is that more than 80% of the companies can perform remotely most financial processes, which shows increased flexibility and efficiency in coordination and decision making. An area of improvement would be management reportings – **only about a third of the CFOs have access to monthly management reports in a dynamic form** that allow momentary access to visualised information and multilevel analysis.

The basic set of management reporting still needs improvement in terms of visualisations and multilevel analysis accessibility

Question:
In what form is the basic set of management reports made available to the managerial staff every month?



The business expects prompt, precise data to facilitate decision-making and identify opportunities, threats, and risks. Offering a self-service option would maximise benefits and opportunities for the organisation.

Thus, it is important to emphasise that a transformation project needs to be approached more like a business initiative, rather than financial one. Every change should be seen as a value-added perspective to help business owners evaluate success and boost productivity. Based on our observations, the success of transformation projects largely depends on capable and informed finance staff and key managers on the business side.

Technology

In any organisation, the financial department has been, is, and will continue to be essential. Recent digitalisation trends have provided more and more tools, which a CFO can and should use to manage financial efficiently. These are the tools that can put you ahead of the curve, by helping identify potential risks, forecast the future accurately, and get a deeper understanding of how well the internal processes are working within the organisation.

13%

of CFOs work closely with the CIO in mapping out the implementation of new technologies

56%

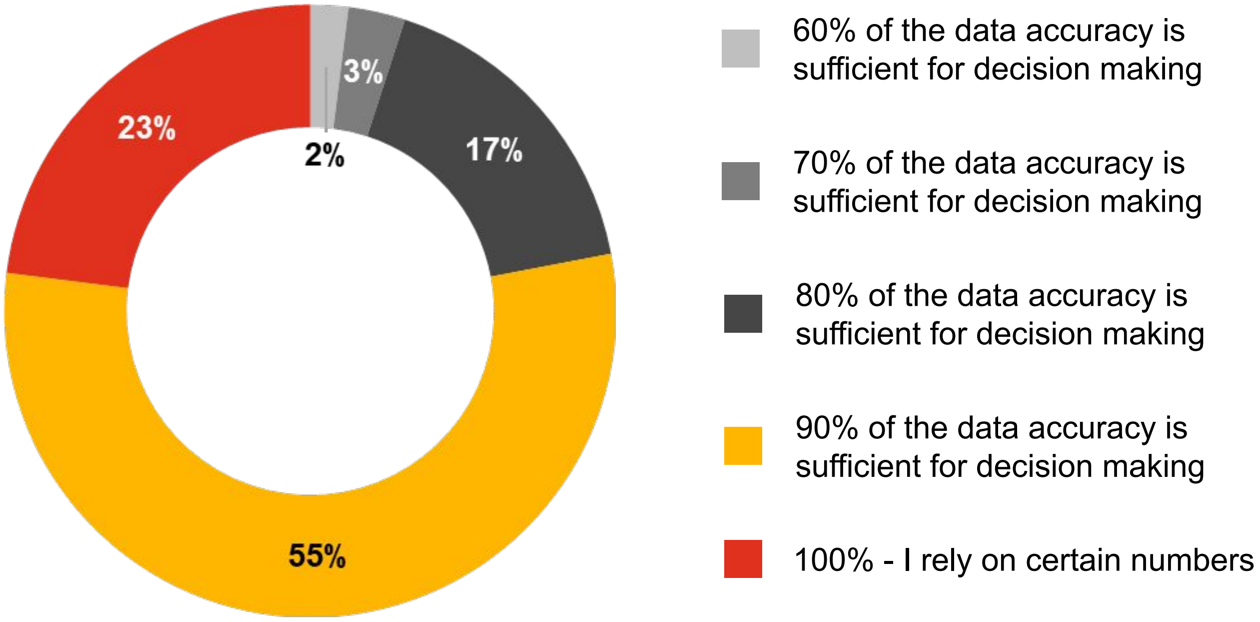
of the organisations implement new technologies under the joint supervision of the CFO and CIO

Kristian Viktorov

Senior Manager
Cyber Security & Digital Identity

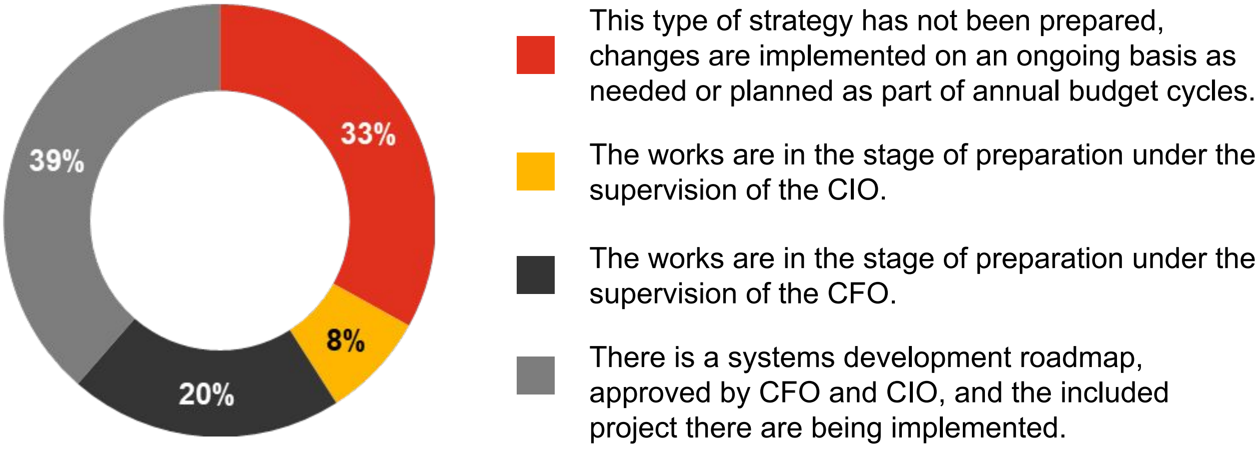
In the dynamic landscape of technological and regulatory advancement and transformation within organisational financial functions, cybersecurity is not merely a safeguard but the bedrock of resilience. As financial systems evolve, the intricate dance between innovation and compliance creates a delicate balance that generates additional demands for a proactive approach to cyber risk management. By understanding that each technological leap opens up new potential vulnerabilities, organisations must weave cybersecurity into the fabric of their financial process and system architecture. Regulatory compliance acts both as a compass and a challenge, requiring a robust cybersecurity strategy to navigate the complexities and mitigate the inherent risks. In this era of transformative financial, the safeguarding of sensitive data is not a choice but an imperative, ensuring that the promise of innovation is not overshadowed by the shadows of cyber threats.

Question:
What level of data accuracy/completeness is sufficient for the decision-making within your organisation?

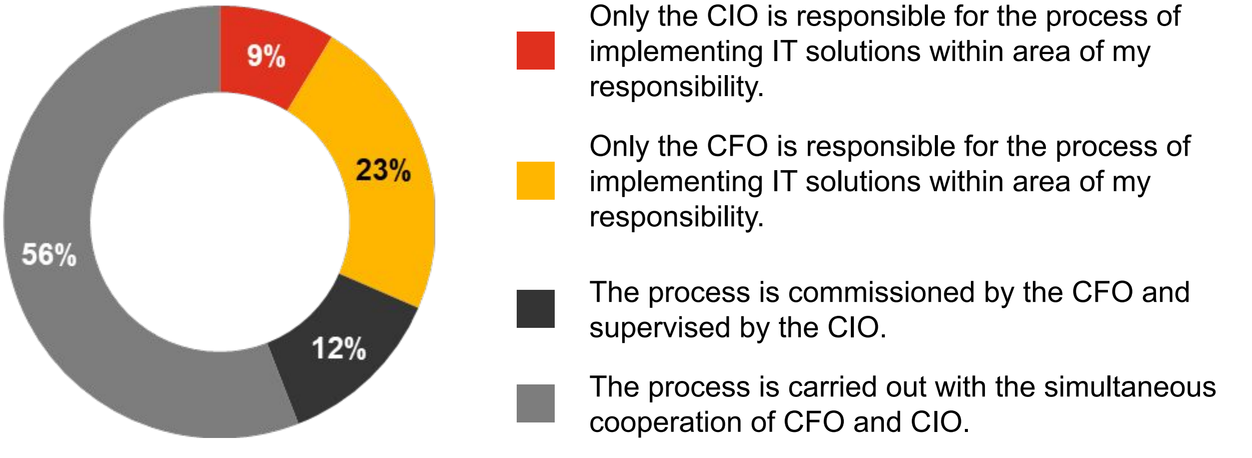


Joint planning of the development of IT systems by the CFO and CIO is the best market practice

Question:
What is the level of preparation of long-term plans for the development of IT solutions in your areas?



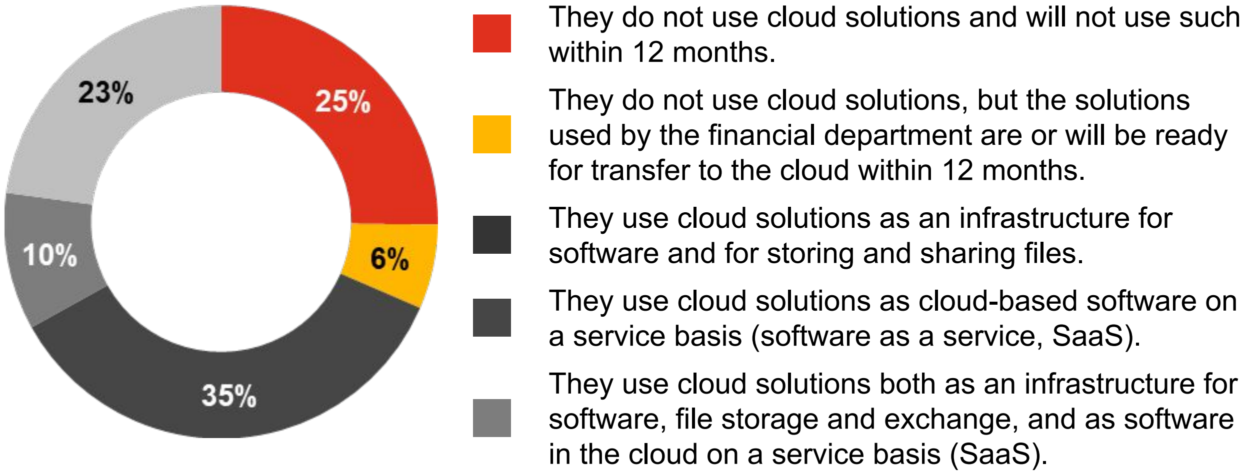
Question:
Who in the organisation initiates the implementation of new technologies and IT solutions in the areas under your control?



Cloud solution are growing in popularity and therefore are influencing the direction of contemporary financial IT solutions. The majority of IT companies either currently provide their latest products in the cloud or have immediate plans to move away from supporting older operating systems. In order to ensure that systems already in use can be seamlessly moved to the cloud at any moment and that higher value can be produced faster, simply, and affordably, it is important to begin putting the essential arrangements in place at the organisational level as soon as possible.

As our survey's results show, **31% of CFOs do not use cloud solutions currently. Another 35% use the cloud as an infrastructure for storing and exchanging files. 33% of CFOs use cloud solutions as SaaS (software as a service).** Expanding the use of cloud solutions makes sense, because they go hand in hand with reduction in expenditures, as well as investment (OPEX/CAPEX).

Question:
To what extent do your areas use cloud solutions?



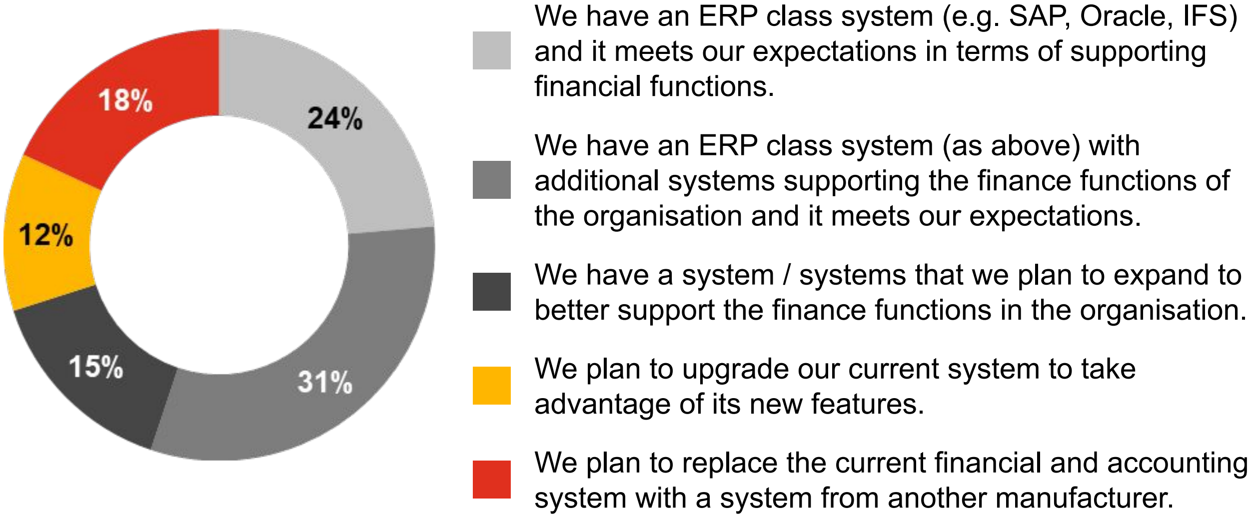
Note: Percentages shown may not total 100 due to rounding.
Source: PwC Compass CFO Survey |

As the survey results indicate, **45% of CFOs plan to implement or change the systems supporting finance functions in the near future**. Our observations also show that CFOs are increasingly deciding on large implementations of ERP systems, which comprehensively support the processes of financial planning and analysis.

Importantly, these systems can now be accessed on the cloud, which implies lower IT infrastructure and systems cost. Moreover, planning will be improved due to the integration of machine learning and the possibility of making predictive analysis, as well as enhanced process security and transparency.

CFOs are looking for support in advanced ERP systems

Question:
What is the architecture of the systems currently used to support your areas, and what are the plans for their development?



Milivoje Nesovic

Partner, Capital Markets and Accounting Advisory Services, South East Europe

Nowadays, having easy and fast access to accurate and reliable information is essential for both individuals and organisations to achieve success. Navigating vast data and extracting relevant insights is not just a convenience, but a strategy. Efficiency and speed are defining factors in the pursuit of excellence.

The ability to distinguish, analyse and apply information becomes a transformative force, pushing organisations forward in their development. Quick access to high-quality information turns challenges into opportunities and uncertainty into strategic advantage. A huge advantage of the modern ERP systems, built using new technologies (cloud, IoT), is their regular (even quarterly) updates, the so-called “innovation path”.

Snezhana Ilieva

Director, AI Lead for South East Europe

In today's rapidly evolving business landscape, where technology is the primary driver of change, a significant gap exists between organisations effectively leveraging modern tools for innovation and those lagging in transformation. Our findings show that only 13% of companies have implemented process automation and RPA, while a mere 3% are harnessing AI and machine learning in finance functions. This slow adoption rate not only signifies a critical missed opportunity in value creation and efficiency optimisation but also underscores the need for a paradigm shift. CFOs must pivot from manual data management to the adoption of RPA and AI to have better control over spending and payments. This will help build the agility they need to move quickly and make data-driven decisions that ensure their organisations remain competitive.

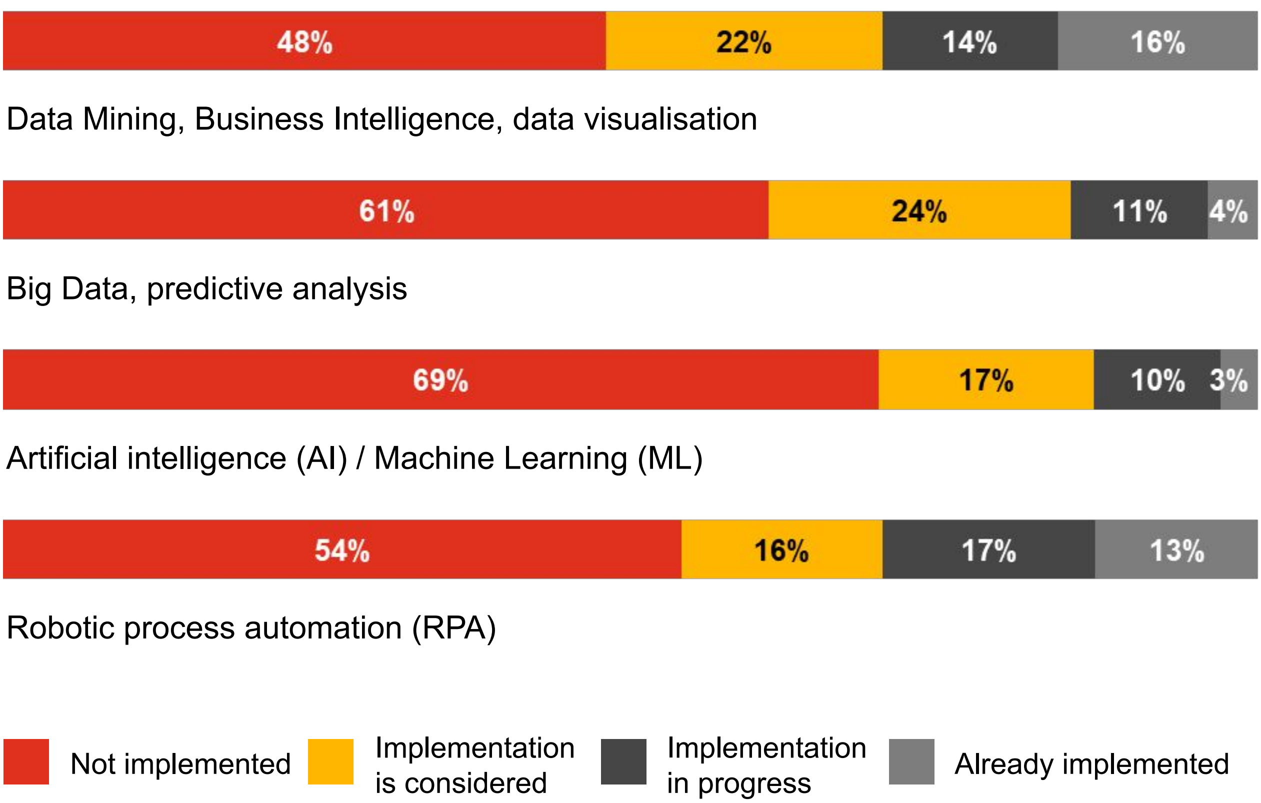
The potential of modern technologies

Today's primary tool for bringing about change in business and society is technology. However, there is a growing gap between organisations that are utilising modern tools to innovate and those that are falling behind in the game of transformation. The fact that **only one in seven companies (13%) have implemented process automation and RPA**, and **69% don't use artificial intelligence or machine learning yet**, suggests that the transformation process is likely a time-consuming task for financial departments.

Current and manual hand. This market is not alone in its reliance on manual procedures. The inability to expand robotic process automation and intelligent process automation is a widespread problem globally, often due to concerns about cost and data security.

Handling of company transactions limits the ability of finance to create added value in other areas. We see that only **15% of respondents use big data and predictive analytics.**

The use of technologies of the future is still at a low level



Question:
To what extent have the above-mentioned solutions been implemented in the areas subordinated to the CFO?

3%

of the organisations have implemented technologies such as AI and machine learning

Then what stands in the way of financial teams collaborating and impacting the business? Our explanation emphasises on value creation rather than on fundamental financial compliance and control duties. The absence of digital technologies in the finance function, such as artificial intelligence and machine learning, which are used in only 3% of the organisations, is another important finding from the survey.

The financial industry is still burdened with transaction processing, manual controls, and compliance when digital solutions aren’t available to automate repetitive processes. Organisations don’t have much time to devote to business planning or other value-adding tasks. For the financial industry, the goal should be to start using data, instead of just gathering and analysing it. This can be taken by automation tools, which will work more effectively and efficiently, leaving time for financial specialists to concentrate on activities which will benefit the business more.

Intelligent automation, RPA, AI: the CFO should not ignore them

In the recent years the business process automation has become an important item on the CFOs' agenda, utilising both RPA and AI algorithms. This is a relatively new field, that, however, is growing quickly and is providing benefits and different opportunities to an increasing number of organisations. The pandemic situation also gave a push to these new trends due to scarcity of qualified professional and sharp rise in wages.

First, the step that each organisation should start from is choosing and defining the appropriate procedures to automate. This challenging process is often underestimated, as it requires combining the tools of the future technology and business and process expertise. Another crucial choice is whether to automate currently established processes in their current form, which would be quicker, or to design new processes, so that those are more effective, which is a comprehensive approach that will have a better long-term impact.

The aim is to build an operational model for automation that, in the area of selecting processes for automation, combines such competencies as:

- "Operational excellence" – experts responsible for process improvements;
- IT / RPA and AI technologies;
- Process experts (SME).

The next step is to focus on processes with the highest volume of work (number of FTEs involved), which take place every day.

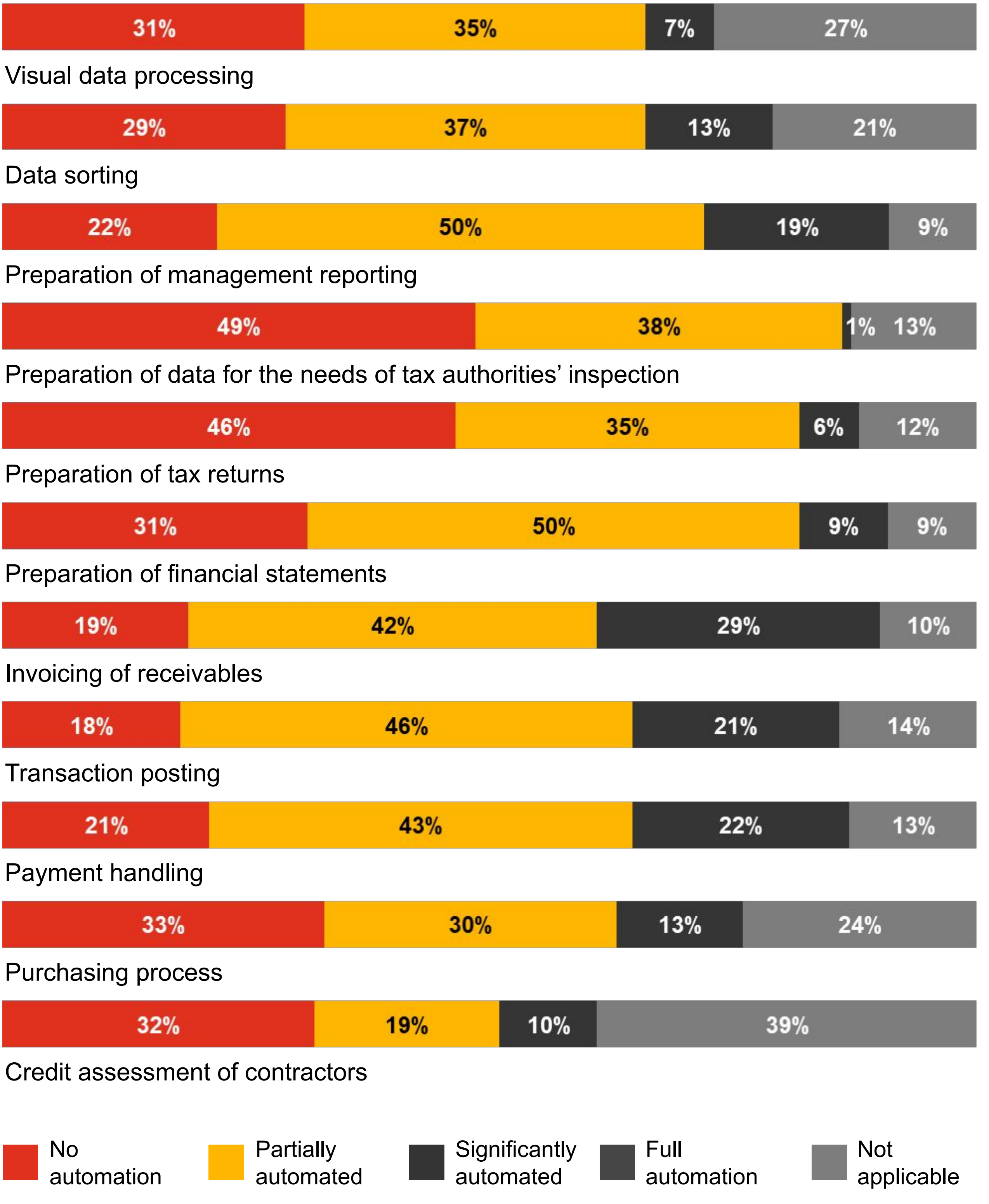
The generated list of processes or candidates for automation, enables projection of potential yields and serves as a basis for a thorough examination of the processes to verify potential benefits and conduct a feasibility study. This examination also includes the creation of the process's final architecture

"Bots" are capable of doing a wide range of human daily tasks based on information, readily available in the system, spreadsheets and external data sources. Eventually these sources can be combined within an organisation. However, they are incapable to make original decisions. As a result, when a decision is required these "bots" are going back to humans for feedback and decision.

What does all that give to the CFOs? – If the right processes for automation are selected this leads forward to reduce costs, streamline existing processes and reduce the risk of human errors in the workflow. This new trend is giving many opportunities and has shown positive results in many organisations, so it is an element that cannot be bypassed.

There is still great potential for process automation

Question:
What is the degree of automation of the mentioned processes?



People

The nature of employment is changing dramatically. On the one hand, there has been noticeable tendency towards centralisation, outsourcing and automation of routine and simple tasks for a number of years.

However, the business world is growing more intricate, with a wide range of connections and interdependencies. When it comes to interpreting information, designing and operating equipment, and maintaining quality, a homegrown employee is more important than ever. The ability to innovate and manage stakeholder expectations is still crucial, and requires the correct soft skills.

71%

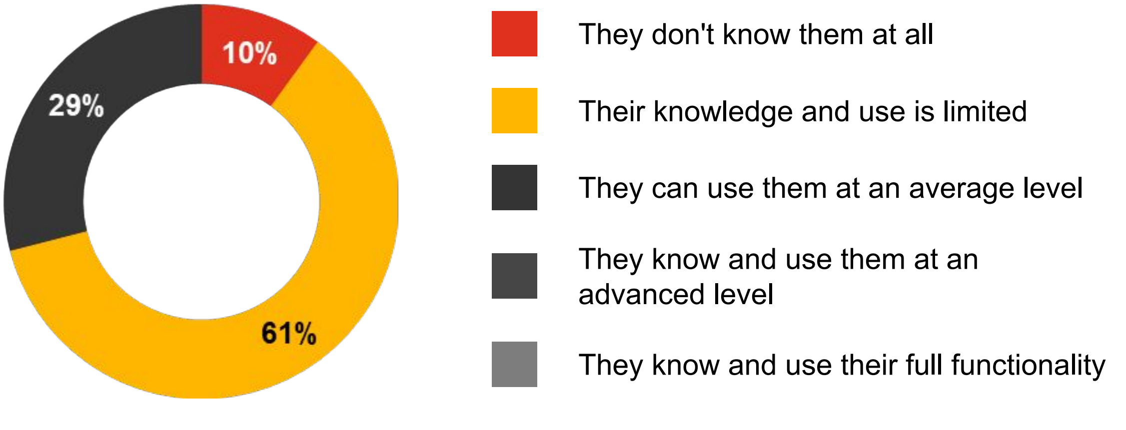
of the respondents indicated that employees in the financial area don't know and use new technologies for process automation at an advanced degree.

Redesigning competences is necessary since employee roles and views are changing. Merely 29% of the participants reported that staff members working in the financial sector are acquainted with and utilise modern technologies for process automation to the fullest extent possible. It stands to reason that many businesses still have the chance to create value by enhancing their digital capabilities. According to the survey **69% of CFOs plan to fill the competence gap with development programs or training for the current employees, and 38% – by recruiting people with the required competences**. Also, only half of the participants have training development programs for financial teams. Well-designed digital competence development programs which cover both training and goals, but also various types of mechanisms, should be implemented. Automation processes should also be encouraged by the management – a quarter of the participants don't encourage employees to automate processes on their own, whereas one in four participants offer rewards for process automation.

The digital skills of financial department employees must be strengthened

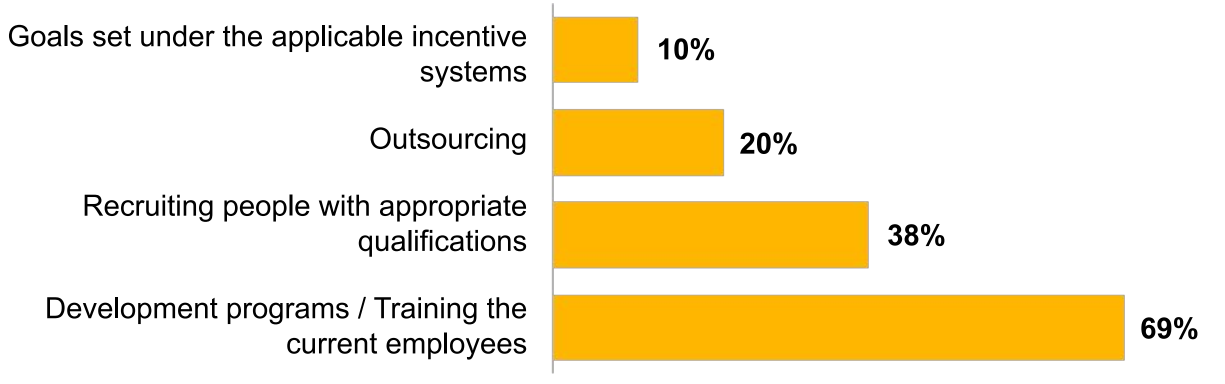
?

Question:
How do you assess the current scale of use by employees in your areas of new technologies to automate processes available within the organisation?



Developing the competences of the current financial teams is the CFO's priority

Question:
How do you intend to fill the competence gap of employees in the use of implemented technological solutions?



Note: The total response percentages exceed 100% as this has been a multiple choice question.
Source: PwC CFO Compass Survey |

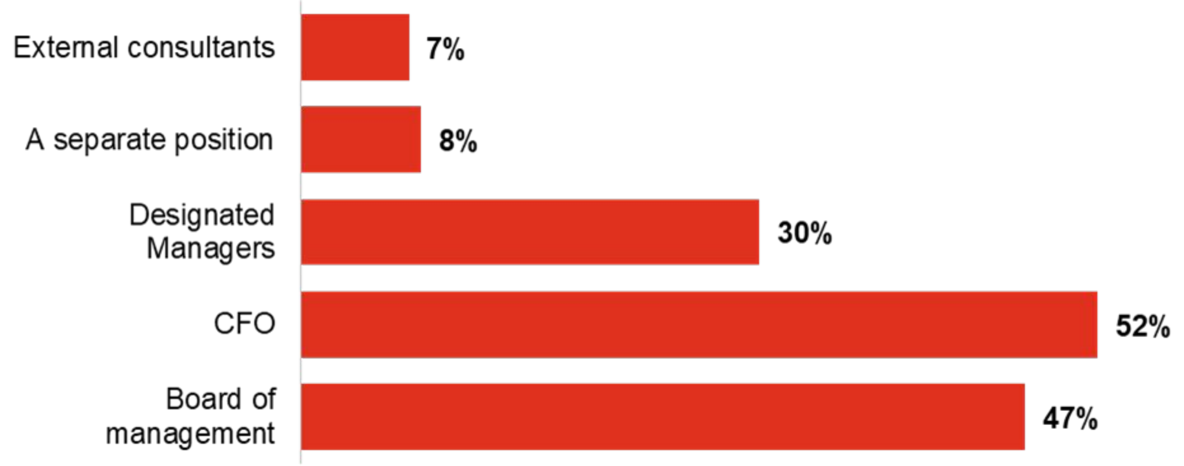
It is impossible to ignore the fact that the wider spread of remote and hybrid work has accelerated the pace of changes. Businesses today do not require employees to work in fixed locations, as did the factories of the past. The employees typically complete the responsibilities allocated to them even while they are not present in the office, at least not entirely. Managers are now aware that keeping an eye on the productivity and engagement of contemporary workers necessitates a shift in strategy (such as task billing) or the acquisition of new instruments (such as an ongoing satisfaction monitoring system). Onboarding new employees, integrating them within the current team, and assigning them new tasks can be challenging. Working remotely makes it more difficult to get timely information from others, which frequently causes complicated operations like the month-end or year-end closing to take longer to complete.

Regular interactions among team members, such as morning meetings, facilitate the tracking of worker participation, task completion progress, and the successful execution of newly assigned responsibilities.

There is no denying that there are many difficulties involved in the transition of the work model. Legal and tax concerns pertaining to employee services, the workplace and IT resources, compensation and benefits, and, lastly, keeping an eye on the state of the business and overseeing key performance indicators, become imperative. We observe that substantial efforts in communication and change management accompany financial revolutions more and more. These efforts surely aid in the implementation of the change, enhancing employee commitment and a sense of security. According to our survey, the CFO is frequently in charge of change management.

CFOs feel responsible for real digital transformation

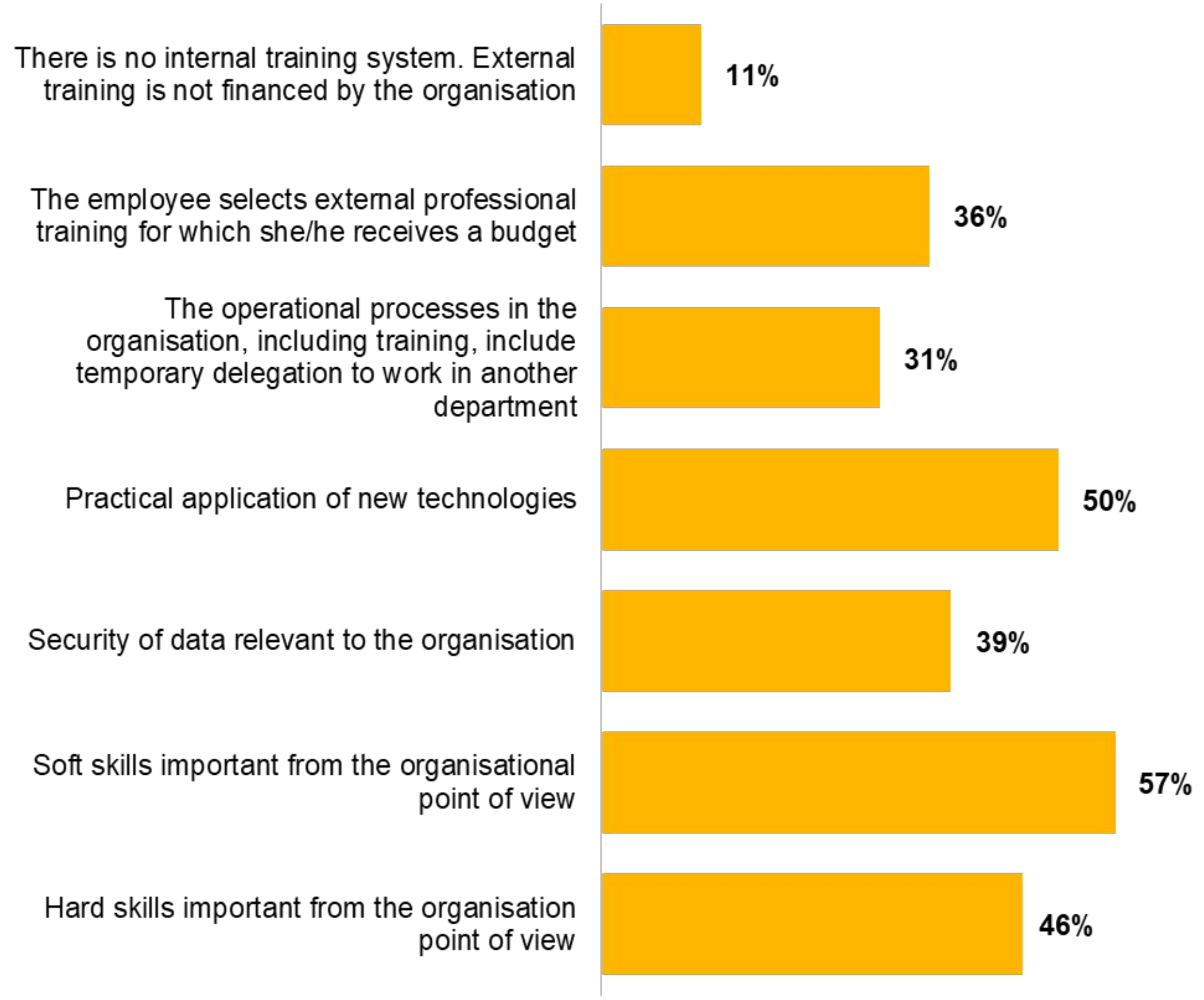
Question:
Who is responsible for the change management process?



Note: The total response percentages exceed 100% as this has been a multiple choice question.
Source: PwC CFO Compass Survey |

Combining financial knowledge, technology and knowledge in operational processes is becoming increasingly important

Question:
What issues are covered by training carried out as part of the employee development plan in your areas?



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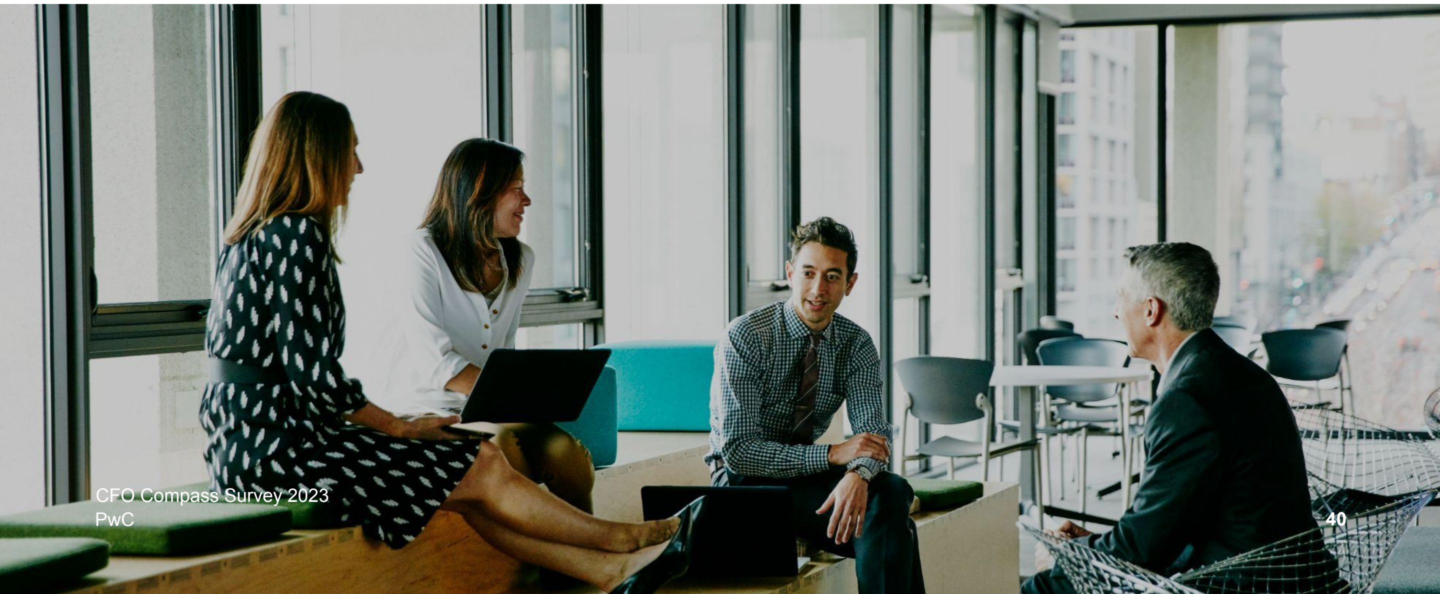

Boyan Dinev

Manager,

Capital Markets and Accounting Advisory Services

Employees and organisational culture are the most significant assets and potential risks for each organisation.
Even the most innovative strategies, systems and processes are not enough to completely transform the finance function. For technology and people to work in sync, both employees and management must realise the added value of process automation and be inspired to recognise their new roles in the future profile of the organisation.

It should be known that initially any change requires investing a significant resource in improving the qualifications of employees. In-house trainings are a mandatory part of the entire process of digitisation and upgrading of the finance function. These initiatives must be skilfully tailored to the specific groups of professionals. The most important principle should not be compromised: having the right people in the right positions.

Stefan Milenkov

Manager,

Capital Markets and Accounting Advisory Services, Finance Function Transformations

Digital transformation in the financial department is a significant leap forward, offering increased efficiency, enhanced customer experience, and strategic advantage. However, this transformation presents challenges in both business and technical domains. These include legacy systems being phased out, cultural shifts and competence gaps, regulatory compliance, data management concerns and interoperability issues.

Legacy systems can be complex and costly to integrate with new digital solutions, while fostering a culture of innovation and adaptability is crucial. Compliance with existing regulations is a delicate balancing act, while cybersecurity measures must be robust to protect against evolving threats. Effective data management is also critical, while interoperability between financial systems must not be neglected.

Five steps to a mature finance function

The five key areas to build a mature finance function, ready for the challenges of the future.

1

The strategy and vision of a modern finance function, forming the basis for transformation and contributing to the organisation's overall strategy, should be grounded in business and social partnership. It should embrace innovative solutions, prioritise advanced data analysis, and facilitate decision-making based on real-time data.

2

The organisation and management of financial departm requires the creation of a modern organisational structure focusing on the four pillars of a mature finance function – Business Partner Organisation, Centers of Excellence, Operations and Governance & Compliance. Moreover, the organisation and management of a modern financial department requires a comprehensive design of a management model that translates strategic goals into measurable goals.

3

The establishment of process architecture involves creating processes comprehensively within Centers of Excellence, often in a cross-functional manner, to continually optimise and enhance them for delivering the highest level of service to both internal and external customers. These designed processes should be both effective and efficient, supported by modern technologies and innovative solutions to enable high automation.

4

Technology and data – modern finance functions should be the driving force of digitalisation in the organisation by implementing technological innovations that will allow for digital optimisation of services – financial departments should enable business partners to make decisions based on predictive analyses as well as real-time data.

5

People and organisational culture require defining the roles necessary within the modern finance function, as well as defining the required employee skills to implement the strategy. A modern finance function should also enable and encourage financial employees to improve their qualifications and promote the culture of agile project management and innovation.

PwC CFO Compass Initiative

The CFO Compass is an initiative that brings together a knowledge base, professionals and a wide range of support dedicated to CFOs.

We work with CFOs of large and medium-sized enterprises across all industries, helping them digitally transform their organisations to optimise back-office processes and improve cost efficiency while maintaining compliance and a skilful approach to risk management.

In Capital Markets and Accounting Advisory, we provide services related to review of financial statements and new standards adoption, which will help you improve the quality of your organisation's financial reporting, as well as finance function improvement, enhancing efficiency for overall business success and growth.

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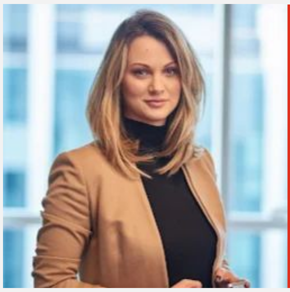

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