



DataRails

CFO: No Way Home

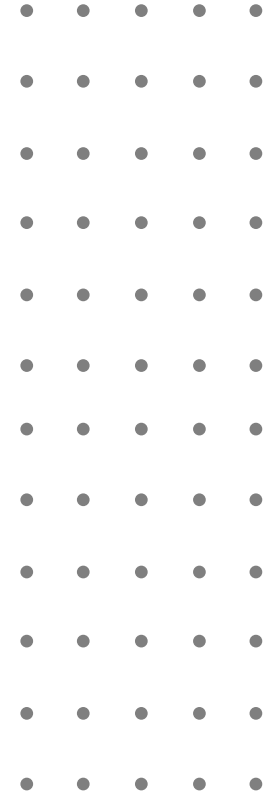
How the most manual job in the C-Suite
is keeping CFOs in the office

April 2022, Survey Report

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Introduction and Key Findings



Introduction & Methodology

Introduction

It has become a truism to say that the role of budgeting, forecasting, scenario planning, and rethinking data sources has taken center stage in businesses. This comes as COVID-19 has been followed by supply chain shocks and war in Ukraine. The team responsible for navigating this turmoil is Financial Planning and Analysis (FP&A). The CFO and their FP&A team have evolved as a powerful force in businesses, supporting an organization's financial health using planning and budgeting, integrated financial planning, performance reporting, and forecasting and modeling.

This research analyzes the realities of these FP&A processes for CFOs. Though pleased with how budgets have coped, CFOs claim that dysfunctional processes are damaging both their potential business impact and their quality of work/life balance. In fact, CFOs consider that their processes are less automated than any other role in the C-suite. This research is also the story of Excel, used by 70% of CFOs for FP&A processes. We reveal how CFOs are evolving in their use of Excel. Finally, we address the FP&A-transforming experience of COVID-19 for CFOs, from layoffs to investment in technology.

The results yield revealing conclusions about the strains faced by CFOs both professionally and personally, and the ways in which finance leaders are preparing to harness the skills of FP&A within a changing and volatile economic environment.

Methodology

To get greater insight into the CFO's perspective of current Financial Planning and Analysis (FP&A) processes, we commissioned a survey of 200 CFOs from the United States and the United Kingdom. The survey was completed by Global Surveyz, an independent survey company, and took place during February 2022.

We were specifically interested in the processes of smaller companies, therefore our respondents come from companies ranging from 100 to 1,000 employees. The respondents were recruited through a global B2B research panel, and invited via email to complete the survey. The average amount of time spent on the survey was 5 minutes and 20 seconds. The answers to the majority of the non-numerical questions were randomized, preventing order bias in the answers.

Key Findings

1 **Manual data processes slow Finance departments down...**

The problem of manual data processes is embodied within the Financial Planning and Analysis (FP&A) function, where 41% of the work is done manually. This function is responsible for the gathering and consolidation of data for core reports including budgets, P&Ls, balance sheets, and month-end reporting. This translates as 10 hours each week of skilled finance talent spent on this manual work, including consolidation and fixing errors, rather than strategic analysis or value-creation for companies.

2 **... and more people means more problems**

Unsurprisingly, the larger the company, the more people there are involved in the central work of the budget. On average, we see that 17 people are involved in the budget, rising to 23 people in companies of 500 employees or more. Sharing financial documents and spreadsheets across so many stakeholders adds complexity and creates delays. Consequently, for 78% of companies, the budget process takes between 1-3 months to complete, while 92% of CFOs are frustrated with the process.

3 **Excel rules supreme**

70% of companies are using Excel for financial budgeting and forecasting. Despite the dominance of Excel as the operating system of finance teams, only 18% consider themselves Excel experts. Nevertheless, CFOs cite three reasons for sticking with Excel. First, the time and knowledge invested in Excel models makes it hard to ditch. Second, Excel's flexibility is unrivaled. And finally – the implementation costs of a potential third-party solution.

4

CFOs suffer the most manual role in the C-suite

81% of CFOs believe they suffer from the most intensive manual work on a daily basis in comparison to any other role in the C-suite. This is severely reducing the time they are spending with family and friends, and fueling boredom and stress at work. Discussing the impact of this situation, 48% of CFOs said manual overload is reducing time spent with their families. Close behind, 47% of CFOs recognize that the situation severely reduces their ability to participate in strategic decision-making. A further 37% are ultimately dissatisfied with their overall output as CFOs, and nearly one third (31%) confess that constant spreadsheet jockeying leaves them bored.

5

How would CFOs become more strategic if they reduced manual work?

If this manual work were eliminated, 52% of CFOs say they would spend more time fulfilling a role as a strategic business partner, while 44% say they would be able to spend more time on analysis for their businesses. This would also free them up for more real-time reporting (36%), better communication (33%), and improvements to their work/life balance (according to 32% of CFOs).



State of Budget Processing

Top CFO Expectations from a Well-Performing FP&A Function

The Financial Planning & Analysis function supports an organization's financial health: planning and budgeting, integrated financial planning, performance reporting, and modeling. In the words of the Institute of Management Accountants: "Few processes within the purview of CFOs have so much potential to create – or destroy – business value than FP&A".

However, despite this grand expectation of a well-performing FP&A function, only one-fifth of CFOs consider that FP&A directly impacts top-line growth. Overall, CFOs' top expectation is "supporting company decision-making" (25%) followed by the prosaic goal of FP&A teams simply getting the budgeting and forecasting done "on time" (cited by 21% of CFOs).



Figure 1 Top Expectation from a Well-Performing FP&A Function

*Percentages do not add up to 100% due to rounding up of numbers

Ad Hoc Reporting and Data Prep Takes 14 Hours a Month

Finance teams spend on average 14 hours a month on creating ad hoc reporting or visuals (figure 2).

Data preparation is a big part of this laborious process. An average of 42% of that time, or around 6 hours, is spent on data preparation and cleansing (figure 3). These activities include consolidating different versions of data, checking for errors, or manually inputting information into systems of record.

With so much time spent on manual processes, the analysis part of Financial Planning and Analysis gets lost.

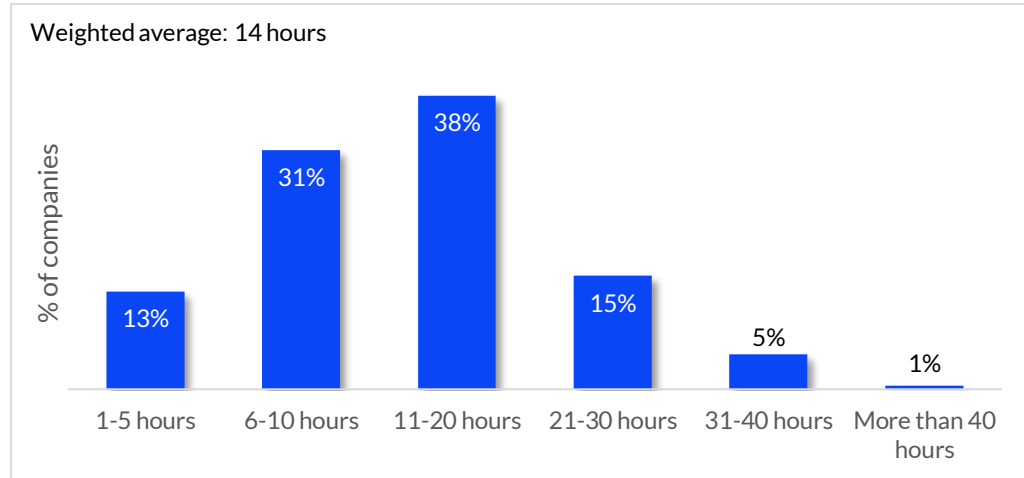


Figure 2 Hours Spent Creating Ad Hoc Reporting or Visuals (Average)

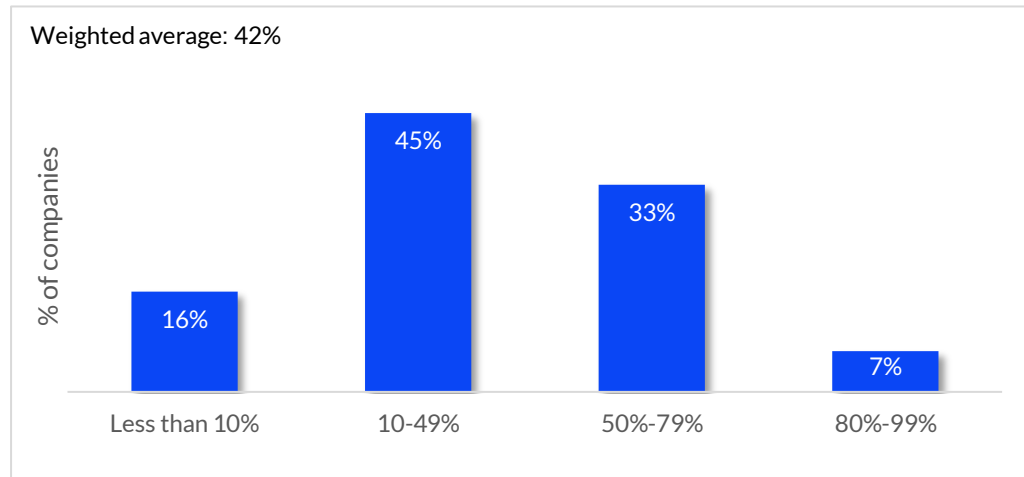


Figure 3 Percentage of Time Spent on Data Preparation and Cleansing (Average)

*Percentages on do not add up to 100% due to rounding up of numbers

17 People Involved in the Budget Process

On average, 17 people are involved in the budget process (36%).

When looking at this number by company size, we see this number growing as companies get larger. For companies of less than 300 people, 13 people are involved. For companies of between 300-500 employees, the number rises to 17. This reaches 23 people who are involved in a complex budget at companies of 500 or more.

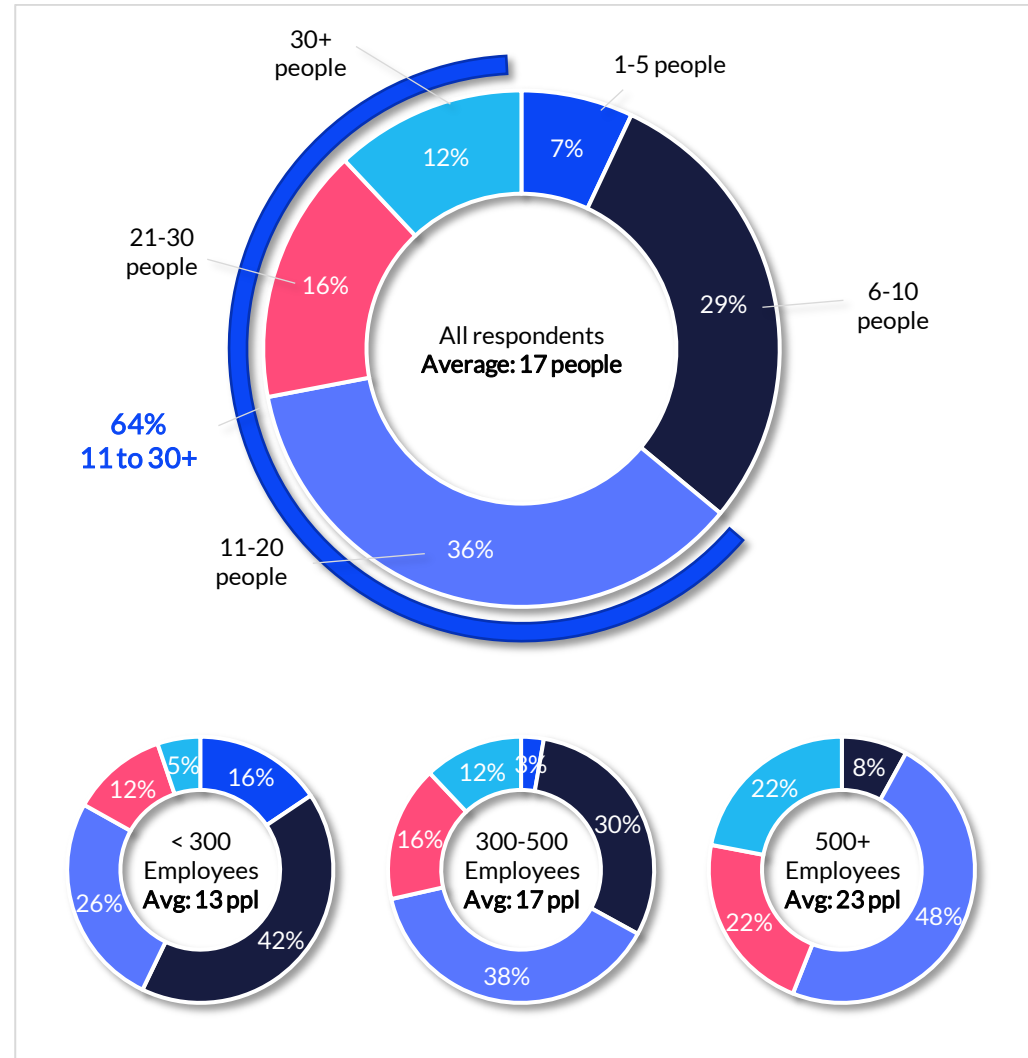
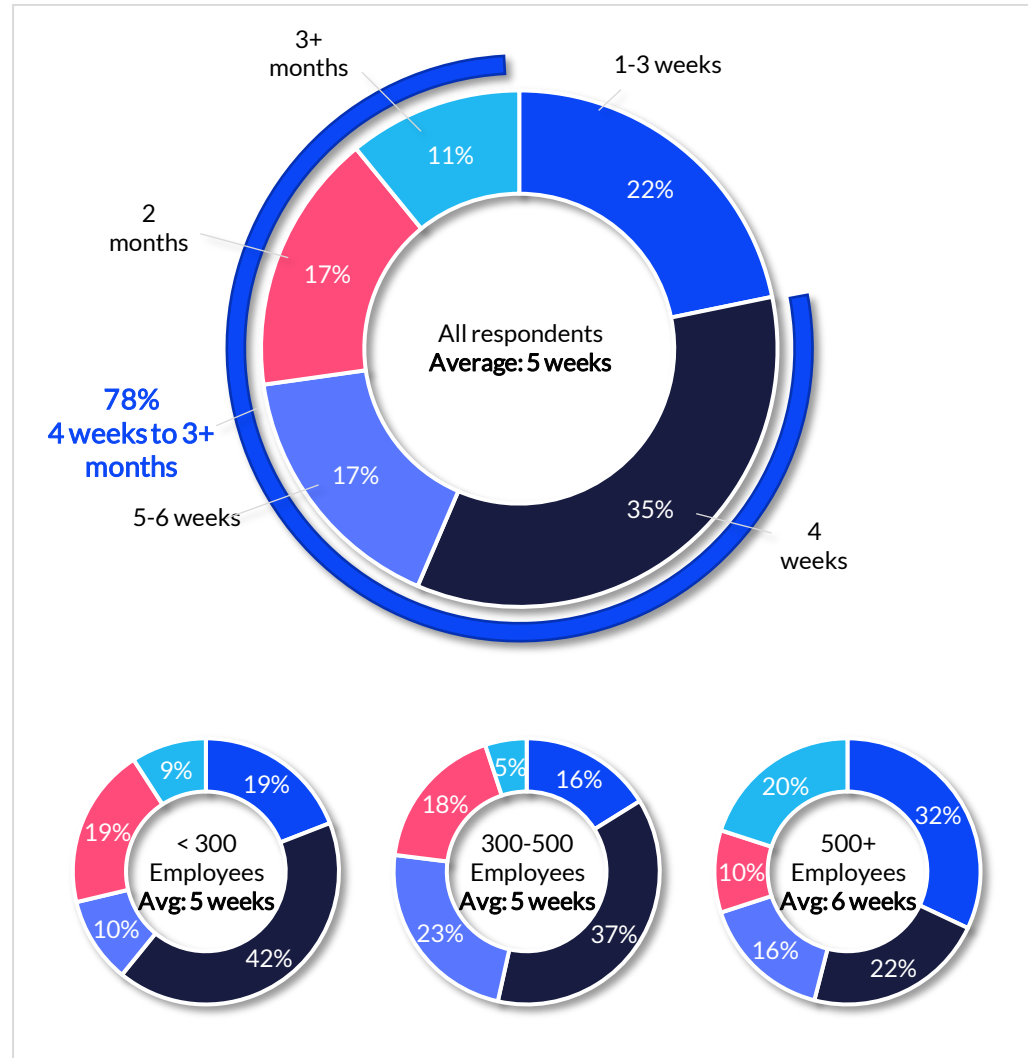


Figure 4 Number of People Involved in The Budget Process

Up to 3 Months: The Length of the Annual Budget Process

For 78% of companies, it takes between four weeks and three months to complete the annual budget process – that is, the process which creates a comprehensive estimate of what a business' expenses and revenues will be for a given fiscal period in order to enable their strategies. For 28% of companies, this process takes two months or more.



*Percentages do not add up to 100% due to rounding up of numbers

Figure 5 Average Length of the Annual Budget Process

Top CFO Budget Process Frustrations

92% of CFOs are frustrated with the budget process.

The sheer length of time involved is cited as the biggest frustration for CFOs (29%) followed by ultimate lack of business impact (28%). This follows a common complaint that many budget assumptions are no longer relevant once the lengthy process is complete. Other frustrations include errors that have to be fixed— a constant challenge for one in five CFOs.

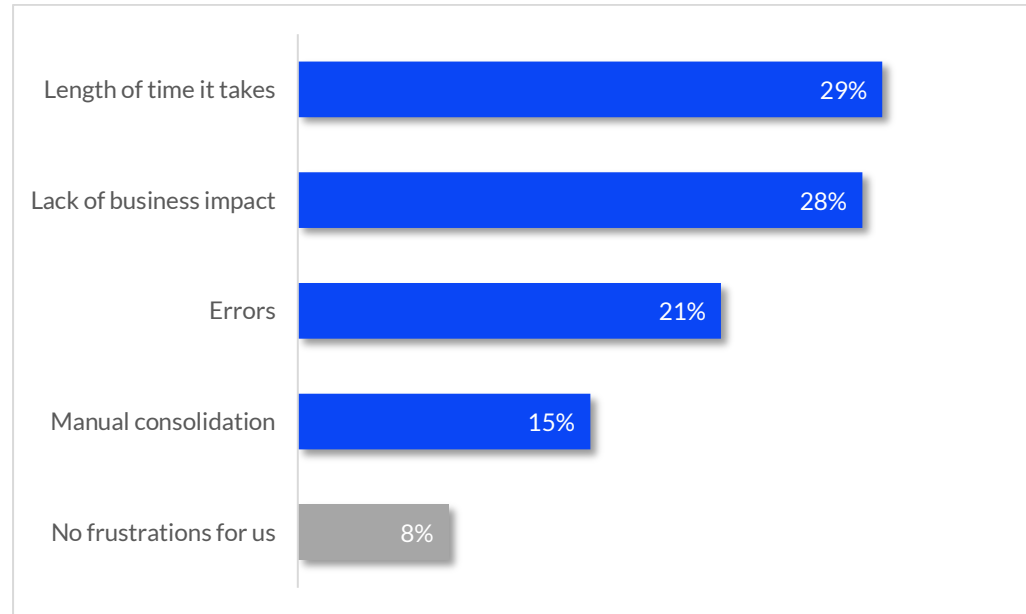
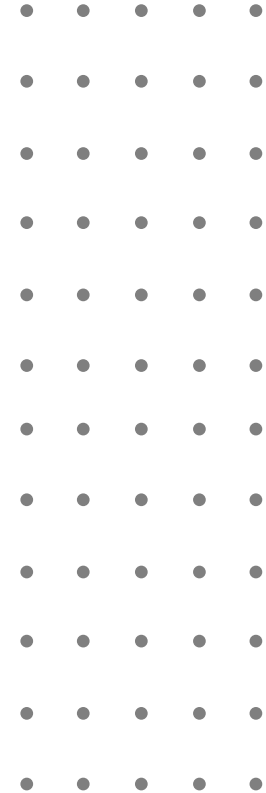


Figure 6 Top Frustrations of the Budgeting Process

*Percentages do not add up to 100% due to rounding up of numbers

Excel vs. End-of-Excel Solutions



Main Tools Used for Budgeting and Forecasting

70% of CFOs use Excel for financial budgeting and forecasting. Excel has only further cemented its position as the universal language of finance, and this situation remains unaltered. The problem is that while Excel is great for spreadsheets and financial models, as our respondents reveal, it is not built for FP&A. This is leaving businesses with hours of data consolidation and repetitive reporting processes.

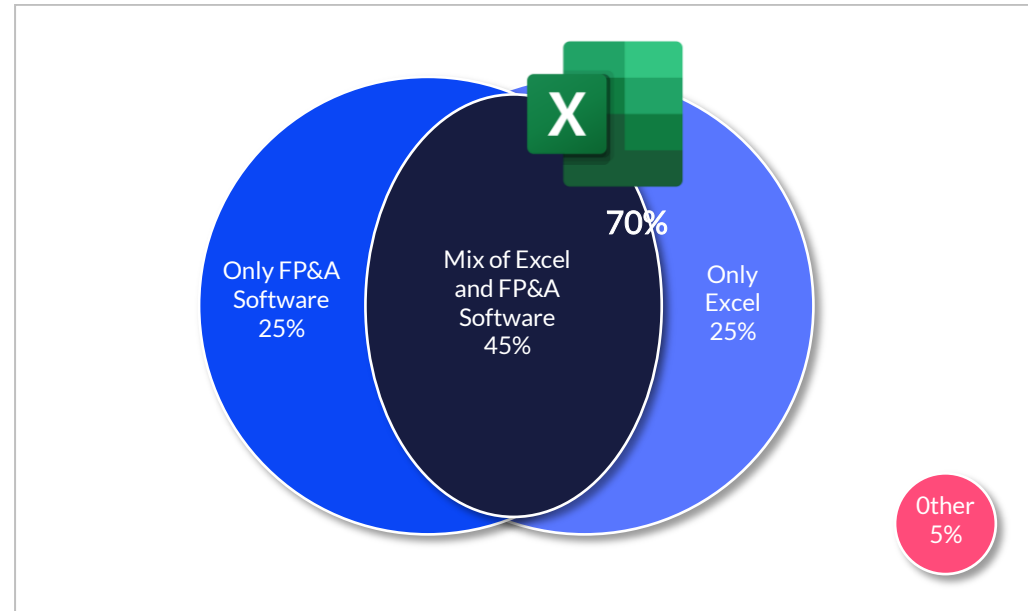


Figure 7 Excel vs. FP&A - Main Tools Used for Budgeting and Forecasting

CFOs Fail to Hit Highest Marks at Excel Proficiency

Despite reliance on Excel as the operating system for finance professionals, only 18% of CFOs consider themselves experts, while just 30% call their skills “advanced”. The majority (53%) of CFOs rate their skills between basic and intermediate-advanced.

If your skills in any tool aren’t advanced, it will take a lot longer to get to the same outcome. Wyn Hopkins, Microsoft MVP and Excel expert, says: “Companies are wasting so much money by not training their staff in the latest version of Excel, not updating the latest versions and not providing suitable hardware.”

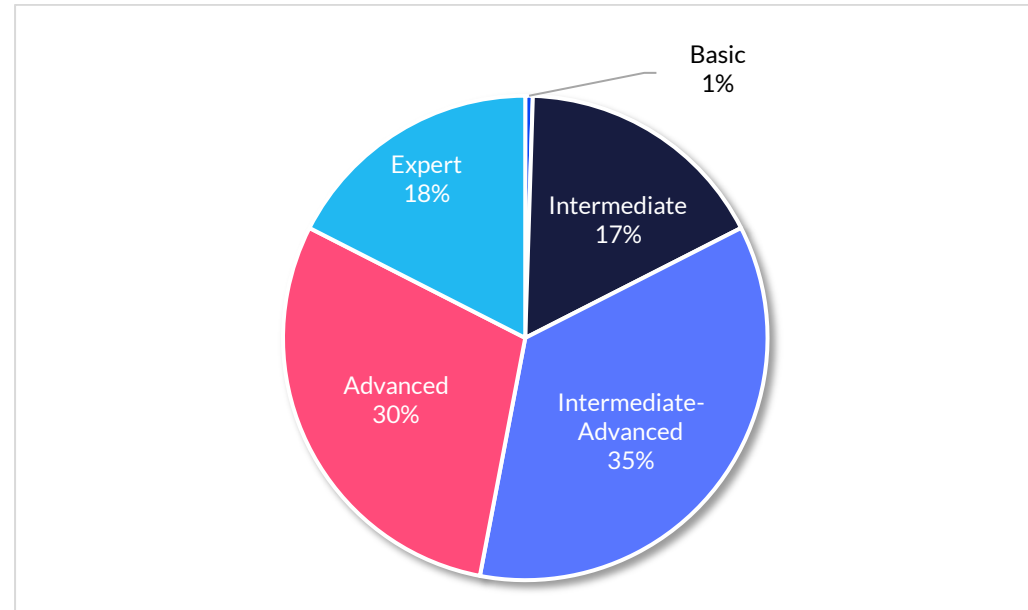


Figure 8 Level of Proficiency with Excel

*Percentages add up to more than 100% as this question allowed more than one answer

Flexibility and Company Knowledge of Excel Keeps It Ahead

With 70% of CFOs relying on Excel (see page 14) for their planning and budgeting, several reasons are cited by CFOs showing their passion for using Excel and explaining its dominant market position.

The main reason that finance leaders are reluctant to ditch Excel (in favor of an “end-of-Excel solution”) is the time and knowledge that has been invested in their specific Excel models (cited by 55% of CFOs). This is followed by the fact that the spreadsheet is highly flexible (cited by 45% of CFOs). Right behind is the potential implementation costs of a third-party solution that also forces new processes on the company.

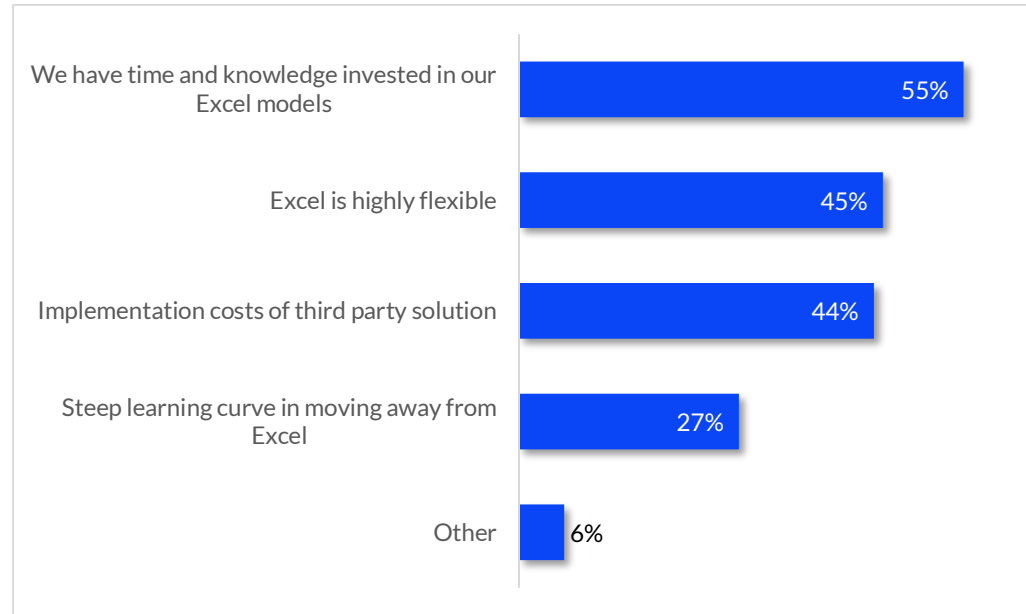


Figure 9 Factors Preventing Finance Teams from Leaving Excel

Manual vs. Automated FP&A Work: Slowly Does It

CFOs indicated that an average of 41% of their FP&A process is manual spreadsheet work (figure 10).

This grind takes its toll on the finance team, which spends 10 hours on average every week on manual work (figure 11). Zoe Cooke, former head of FP&A at MiQ, made this point when she joined the company, which at the outset had “data and connected data at its core.” However, she claims what she found when looking at FP&A processes was a situation with “230 slides produced monthly, 21 sources of truth for your data, running lookups on top of pivot tables, it was a mess”.

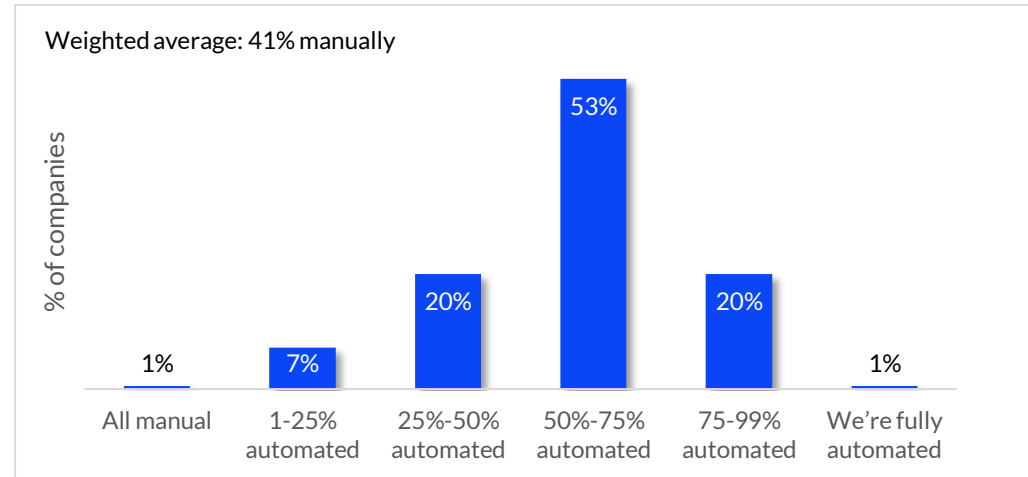


Figure 10 Percentage of FP&A Process Done Manually vs. Automatically

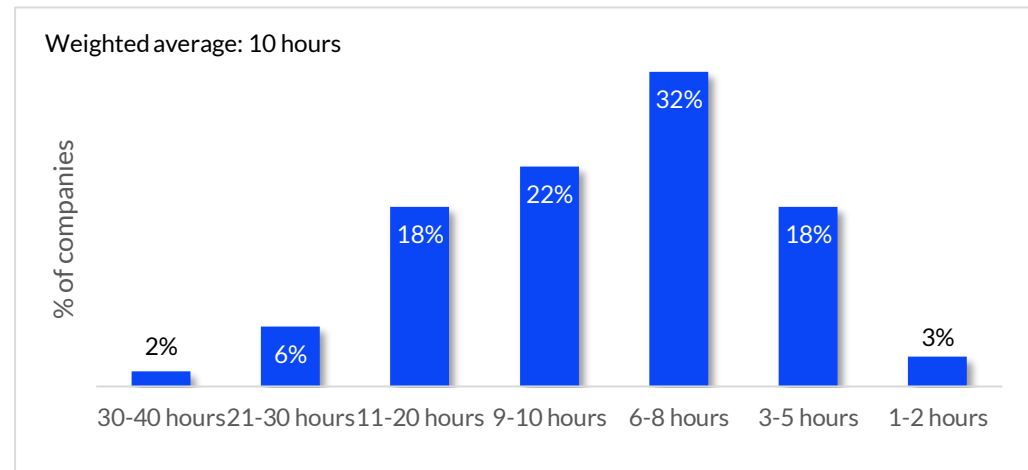


Figure 11 Weekly Hours Spent on Manual Work

*Percentages do not add up to 100% due to rounding up of numbers

CFOs Suffer Most Intensive Manual Work in C-Suite

When asked which C-suite roles involve the most manually intensive work, CFOs ranked their own job as the most manually intensive when compared to all other C-level executives. The processes of the CFO were considered more burdensome and less automated than even the most traditional departments, including the offices of the Chief Legal Officer and Chief Human Resources Officer.

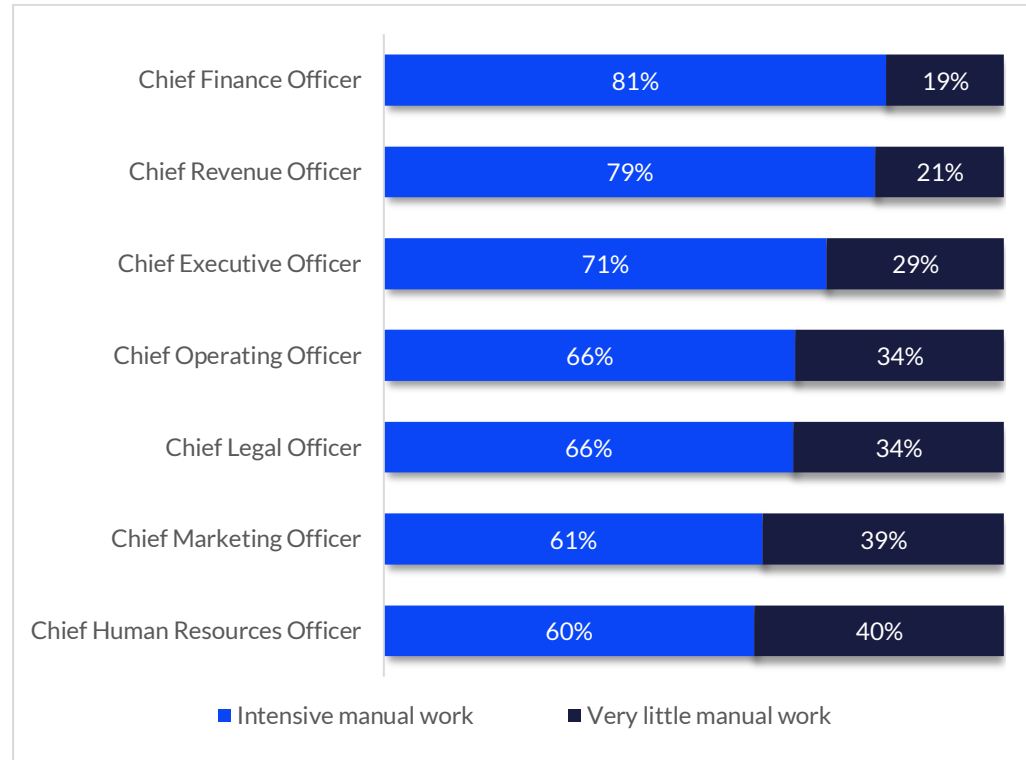


Figure 12 C-Suite Roles Involved in Intensive Manually Work

Error-Strewn FP&A Processes Are the Biggest Challenge

The biggest challenge CFOs face in the FP&A process is identifying and correcting errors. In fact, 41% of CFOs say they regularly identify and correct errors, and 73% encounter those errors regularly or sometimes. The other major challenges encountered regularly by CFOs are finding and gathering the necessary data (cited by 31% of CFOs), trying to find answers to questions about data sources posed by non-finance business partners (24%), tracking multiple versions of financials or reports (23%), and dealing with broken Excel formulas (20%).

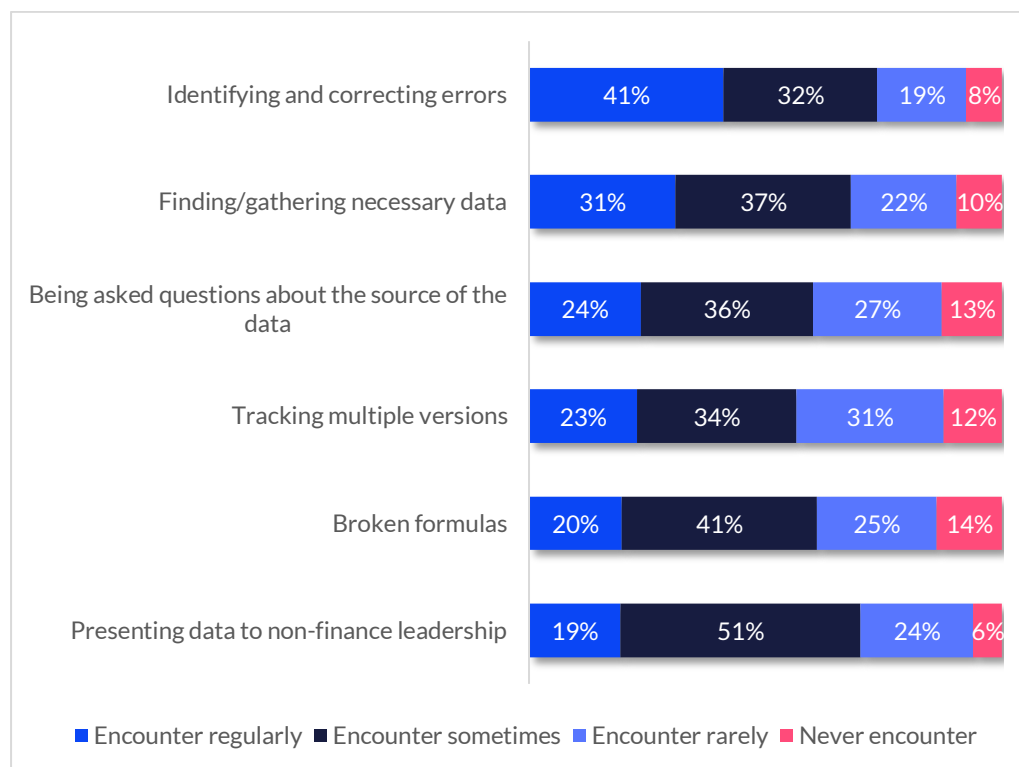


Figure 13 Challenges Encountered with Manual FP&A Processes

CFOs Find No Way Home Due to Manual Overload

83% of CFOs say they suffer adverse impact on their wellbeing due to laborious manual processes, including not getting home on time, or not getting to spend quality time with loved ones.

48% of CFOs say manual overload, such as correcting errors, reduces the time they can spend with their family and friends. Close behind, 47% of CFOs recognize that the situation severely reduces their ability to participate in strategic decision-making.

A further 37% were dissatisfied with their overall output as CFO, and nearly one third (31%) confessed that constant spreadsheet jockeying left them bored.

In addition, 31% said that the ongoing challenge of fixing errors leaves them fearful of mistakes creeping in.

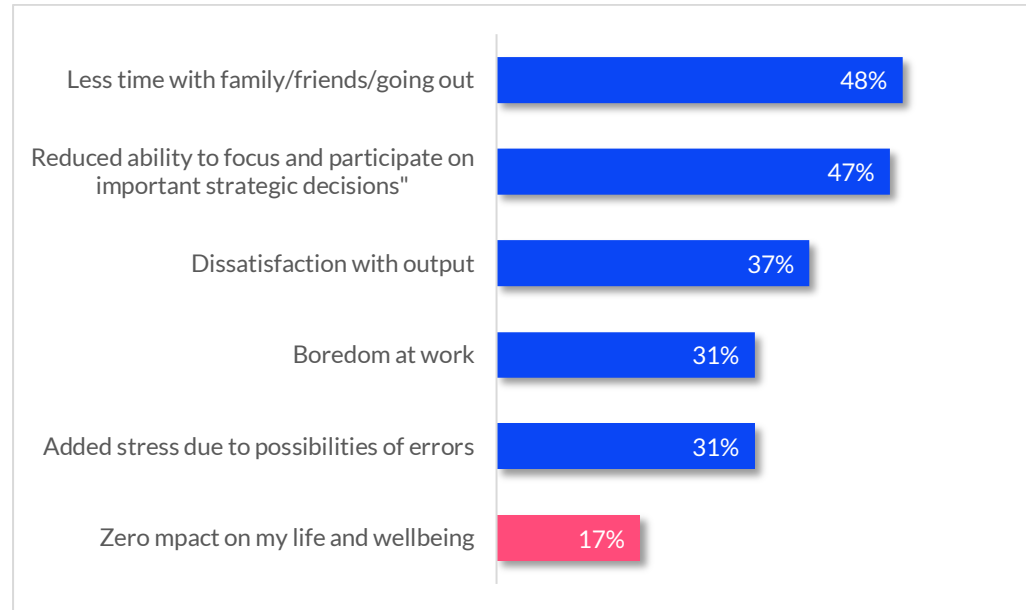


Figure 14 Adverse Impact of Manual Spreadsheet Work on Life and Wellbeing

*This question allowed more than one answer and as a result, percentages will add up to more than 100%

With Manual Processes Gone, What Does Life Look Like?

We asked our respondents to imagine a world without the current levels of manual overload.

With time freed up from manual work of this nature, 52% of CFOs would spend more time on business partnering, 44% on analysis, 36% on new types of financial reporting, 33% on better communication, and 32% would enjoy a better home/life balance.

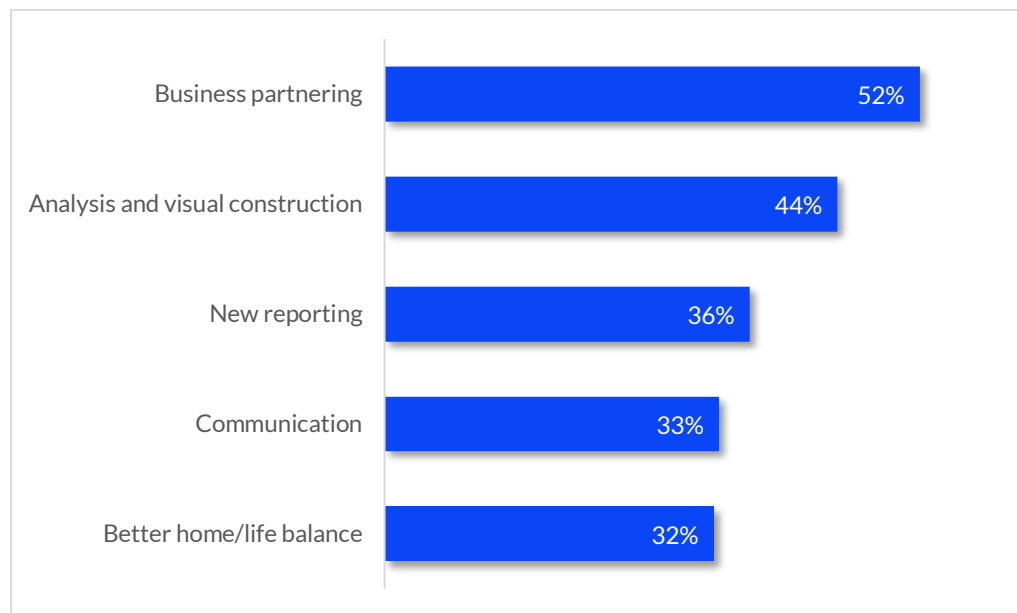
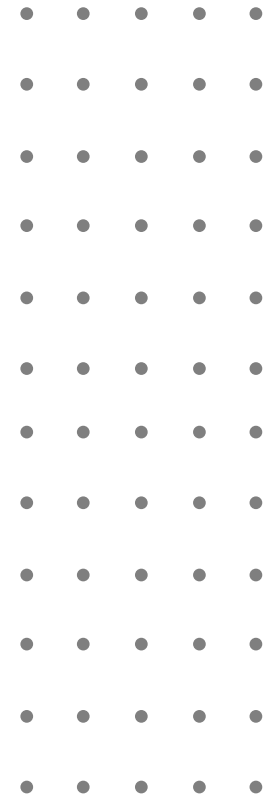


Figure 15 Usage of Time Freed by Ending Manual Work

*This question allowed more than one answer and as a result, percentages will add up to more than 100%

The Influence of COVID-19 on the Accounting & Finance Department



How the Budget/Forecast Process Withstood COVID-19

COVID-19 was a momentous challenge to finance teams, but 60% of CFOs believe their budget and forecast processes coped well under the strain, and helped their business deal effectively with the implications of the pandemic.

This compares to the 31% who felt their budget process was poor in dealing with the challenges of COVID-19. On the far end of the scale, only around one in ten (9%) considered their budget processes as very poor in dealing with COVID-19.

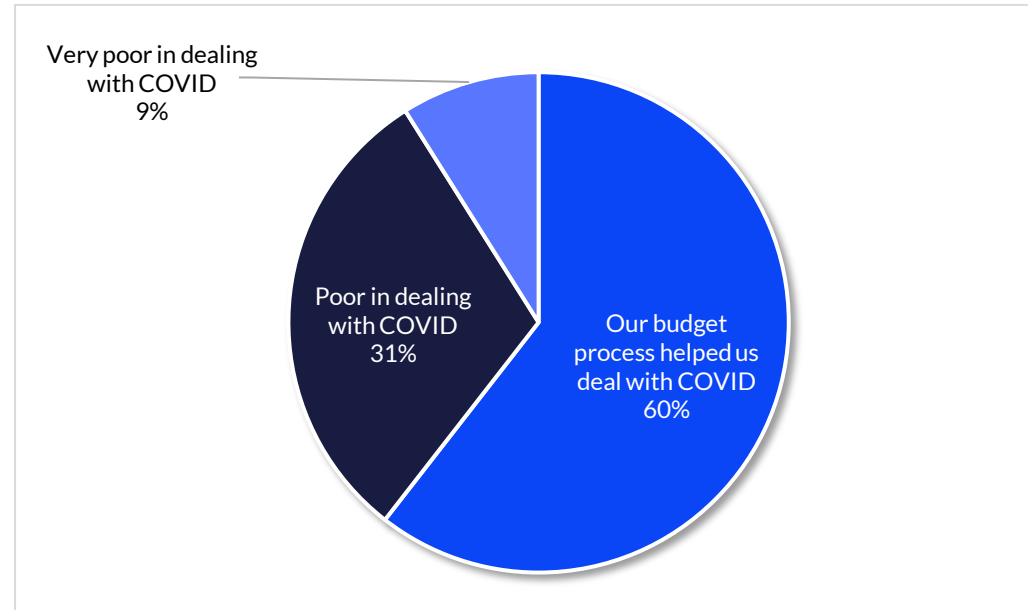


Figure 16 Budget and Forecast Coping with the Challenges of COVID-19

Biggest CFO Shakeups to Their Finance Departments Since COVID-19

92% of CFOs have undertaken significant changes since COVID-19. A third of companies have employed technological solutions to meet the challenges of COVID-19, while a fifth increased the frequency of their forecasting to keep up with the volatility and uncertainty surrounding the pandemic.

18% expanded their finance teams, while 12% were forced to lay off workers from the finance team as a direct result of COVID-19.

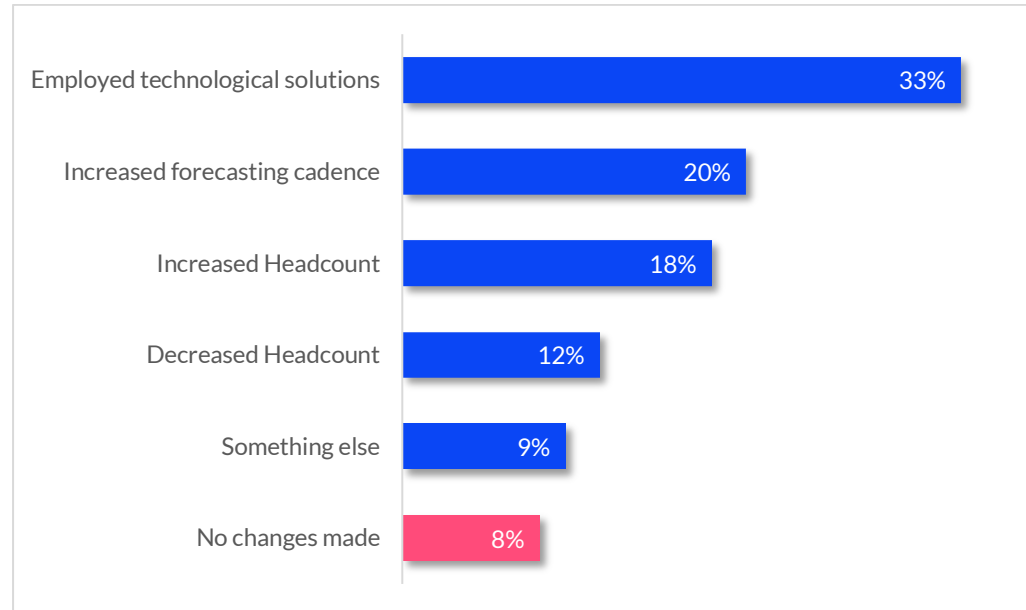
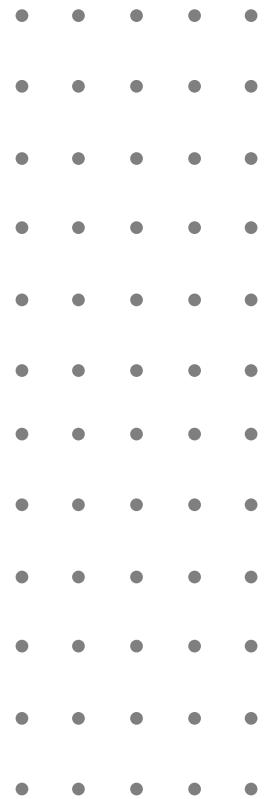


Figure 17 Changes Made Since COVID



Demographics

Size of Finance and Accounting Department, Country & Company Size

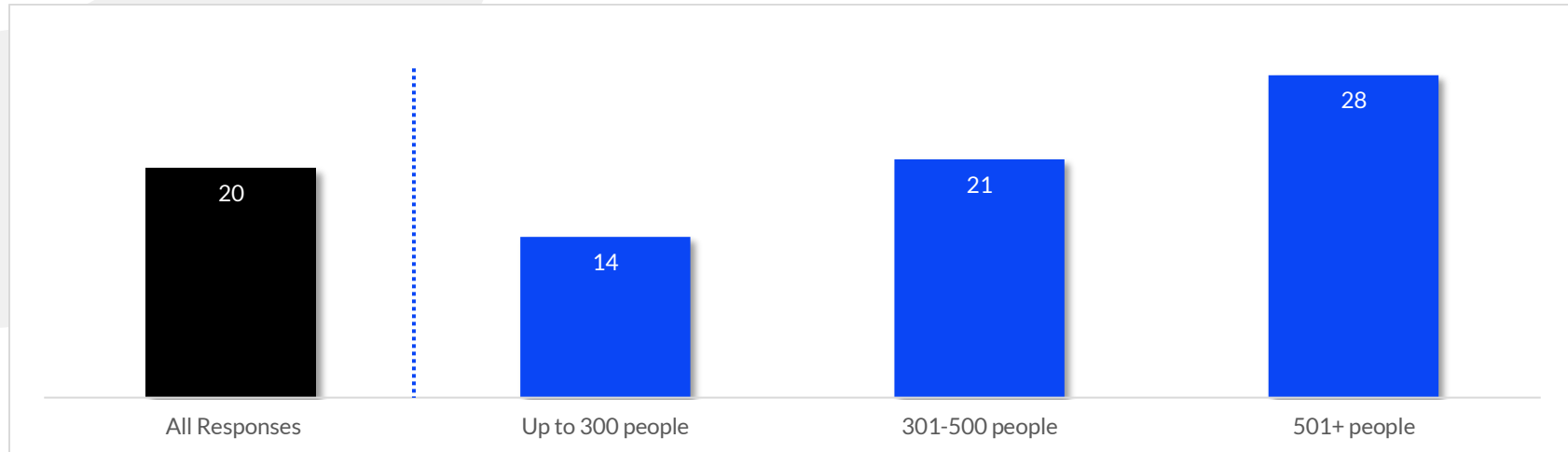


Figure 18 Average Size of Finance and Accounting Department by Company Size

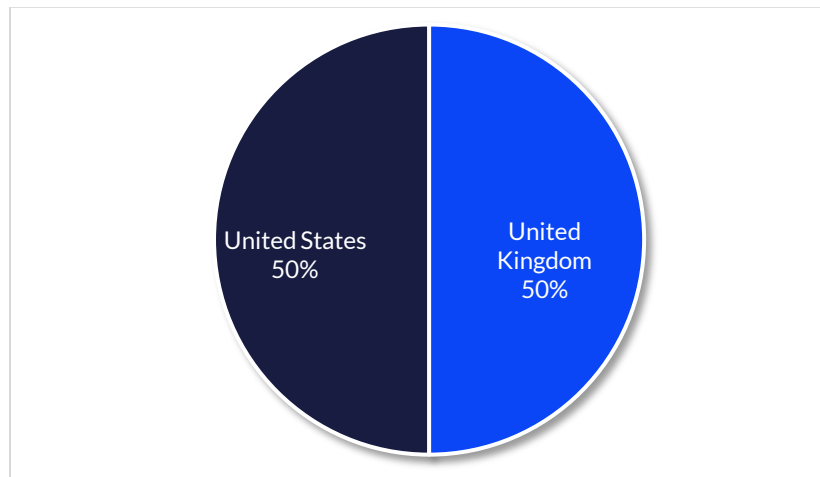


Figure 19 Country

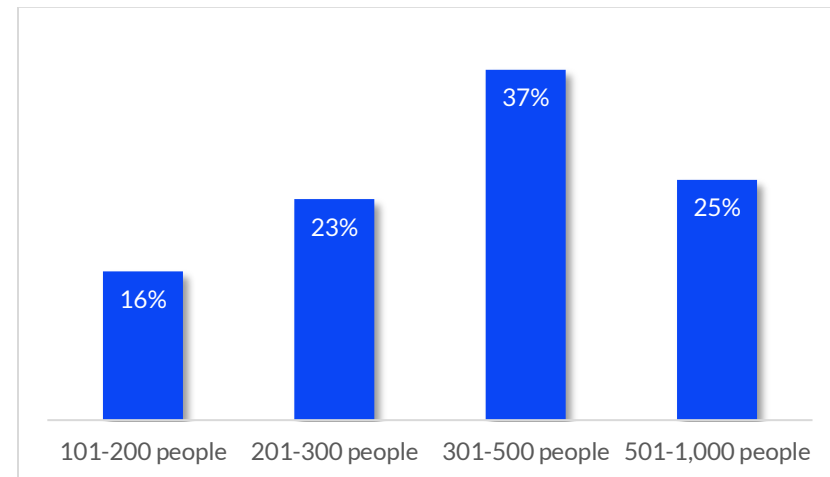


Figure 20 Company size

About DataRails

DataRails is a financial planning and analysis platform that automates data consolidation, reporting and planning, while enabling finance teams to continue using their own Excel spreadsheets and financial models.

Automating these time-consuming manual processes paves the way for finance teams to spend more time analyzing data and less time gathering it.

It also empowers them to answer essential strategic questions like what their organization can do to increase revenue and reduce expenses.

Contact Us

For more information, please visit us:

