# ADDING TO THE PRESSURE

## A SURVEY OF 1,000 FINANCE LEADERS ON THE STATE OF THEIR ACCOUNTING SOFTWARE

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**The data is in and it's not good – but it's no surprise to us. As an organisation that dedicates its entire focus to FDs and CFOs in mid-market organisations, our myriad interactions with customers and prospects told us that all is not well in the office of the mid-market finance leader.**

There's a perfect storm of inefficient systems requiring numerous workarounds, cumbersome delays in being able to produce actionable MI, rising workloads and a talent shortfall; something's got to give at some point.

We're not dealing with inexperienced juniors, though. These are seasoned FDs that have mostly been around the block over many years; what's stopping them from modernising their systems to drive efficiencies, reduce workload and deliver rapid, actionable insights? **Fear.**

Almost half of those surveyed say that fear of losing data and indigestible disruption are key contributors to preventing modernisation. So, for much of the market, the key is education; understanding that the future is not what it used to be. Open heart surgery can often be replaced with keyhole surgery... but many are unaware that this is even possible.

Lyndon Stickley

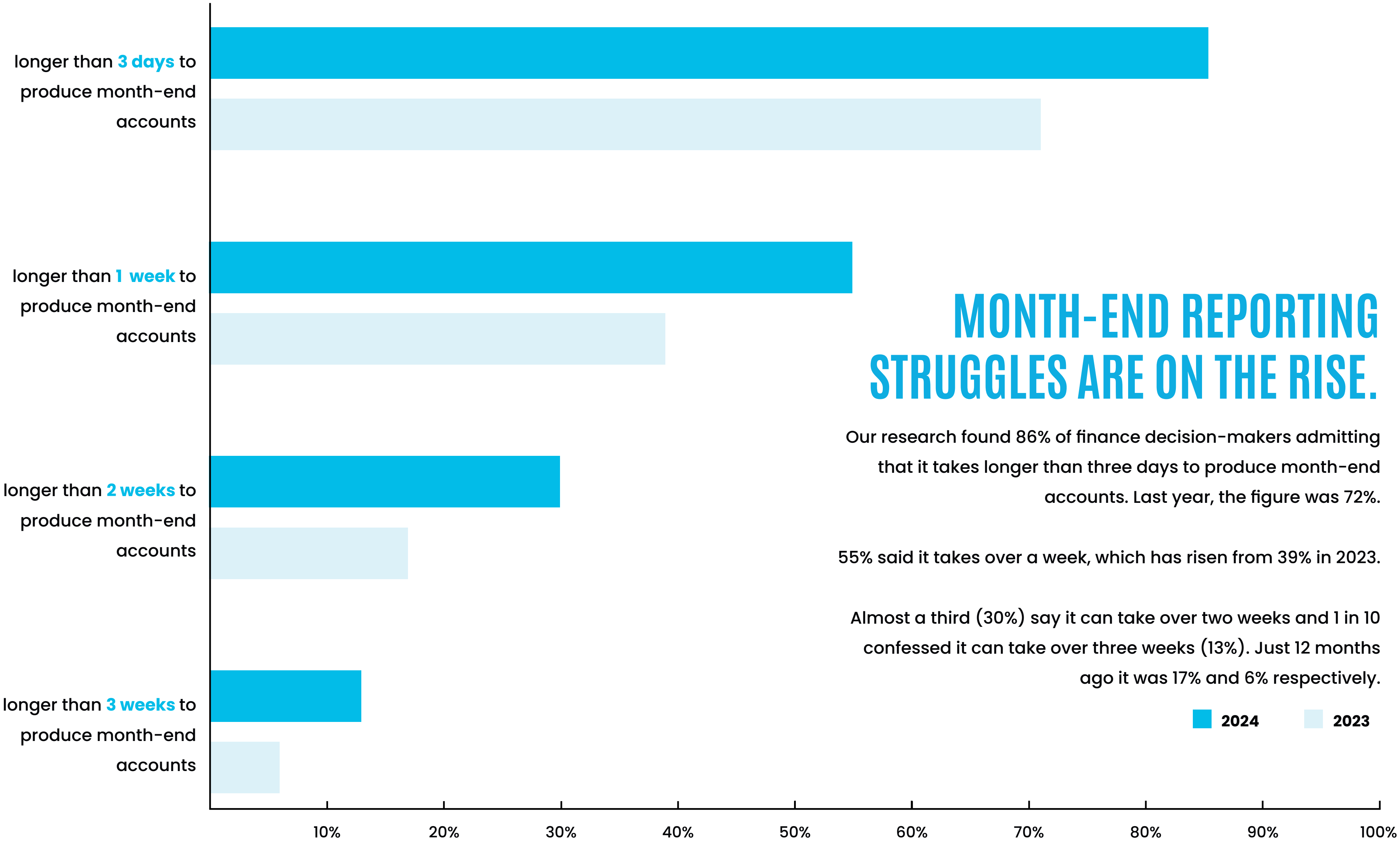
CEO

# MONTH-END REPORTING STRUGGLES ARE ON THE RISE.

Our research found 86% of finance decision-makers admitting that it takes longer than three days to produce month-end accounts. Last year, the figure was 72%.

55% said it takes over a week, which has risen from 39% in 2023.

Almost a third (30%) say it can take over two weeks and 1 in 10 confessed it can take over three weeks (13%). Just 12 months ago it was 17% and 6% respectively.



# 93%

## OF UK FINANCE DECISION-MAKERS ADMIT TO WORKING BEYOND THEIR CONTRACTED HOURS EACH MONTH.

**Over half (56%) work at least an extra six hours each month** outside of their contracted hours. Only 7% never work outside contracted hours.

# 40%

## OF UK FINANCIAL DECISION-MAKERS FEEL STRESSED OFTEN OR ALL THE TIME.

With the top three reasons being:

- **a lack of staff resources** to meet the organisation's needs (28%)
- **managing the budget constraints** for the wider organisation and stakeholders (27%)
- **it takes too long** to create reports e.g. audits or year-end Accounts (24%).

# TOP CAUSES

The top causes for any inefficiencies in UK finance/accounting departments are:

- having to **access and manage multiple instances** of software (38%)
- **too much time spent on managing data** in spreadsheets (38%)
- **manual data management** and lack of automation (38%).

# FEAR IS HINDERING PROGRESS!

42% of UK finance decision-makers said **the fear of losing historical data is THE main reason for not changing their finance system**. In 2023, the figure was just 26%.

# 80%

of **UK finance decision-makers are concerned** over a lack of new talent entering the accounting/finance sector which is leading to a significant skills gap in the future.


# INTRODUCTION

**After several tumultuous years, the economic outlook for UK organisations is looking more settled. Inflation is stabilising around the target rate, and GDP forecasts have been adjusted positively, with annual growth expected to reach around 2% in the coming years. Following the recent interest rate cuts by the Bank of England, the UK appears to be moving past the peak impact of higher debt servicing costs.**

While business confidence has been at its highest level for two years, heightened geopolitical uncertainty cannot be ignored. Supply chain disruption continues for several reasons - high inflation, high energy/fuel costs, war, extreme weather or Brexit border checks to list a few.

As businesses have discovered, often painfully, over recent years, problems can rapidly escalate when senior management lacks fast access to trusted information that supports decision-making.

However, as this research of over 1000 UK finance decision-makers undertaken by iplicit confirms, only a fraction (14%) of UK businesses can prepare and submit month-end accounts within one to three days. **While seven days to prepare and submit month-end accounts is widely accepted to be best practice, the majority (55%) still cannot achieve this goal.** The reality is that 30% of businesses take over two weeks and 5% take more than four weeks to complete month-end accounts.

**The widespread delay in providing trusted insight into business performance is having a significant impact on both the finance team and the wider organisation:**

Higher interest rates have encouraged lenders to be even more stringent with borrowing caveats in recent years. What is the implication of **failing to meet required trading conditions**, which could lead the lender to terminate or change the terms of the deal?

How many opportunities to reduce costs are missed due to **delays in information**? Often the power to take a decision is removed simply because the timeline has passed.

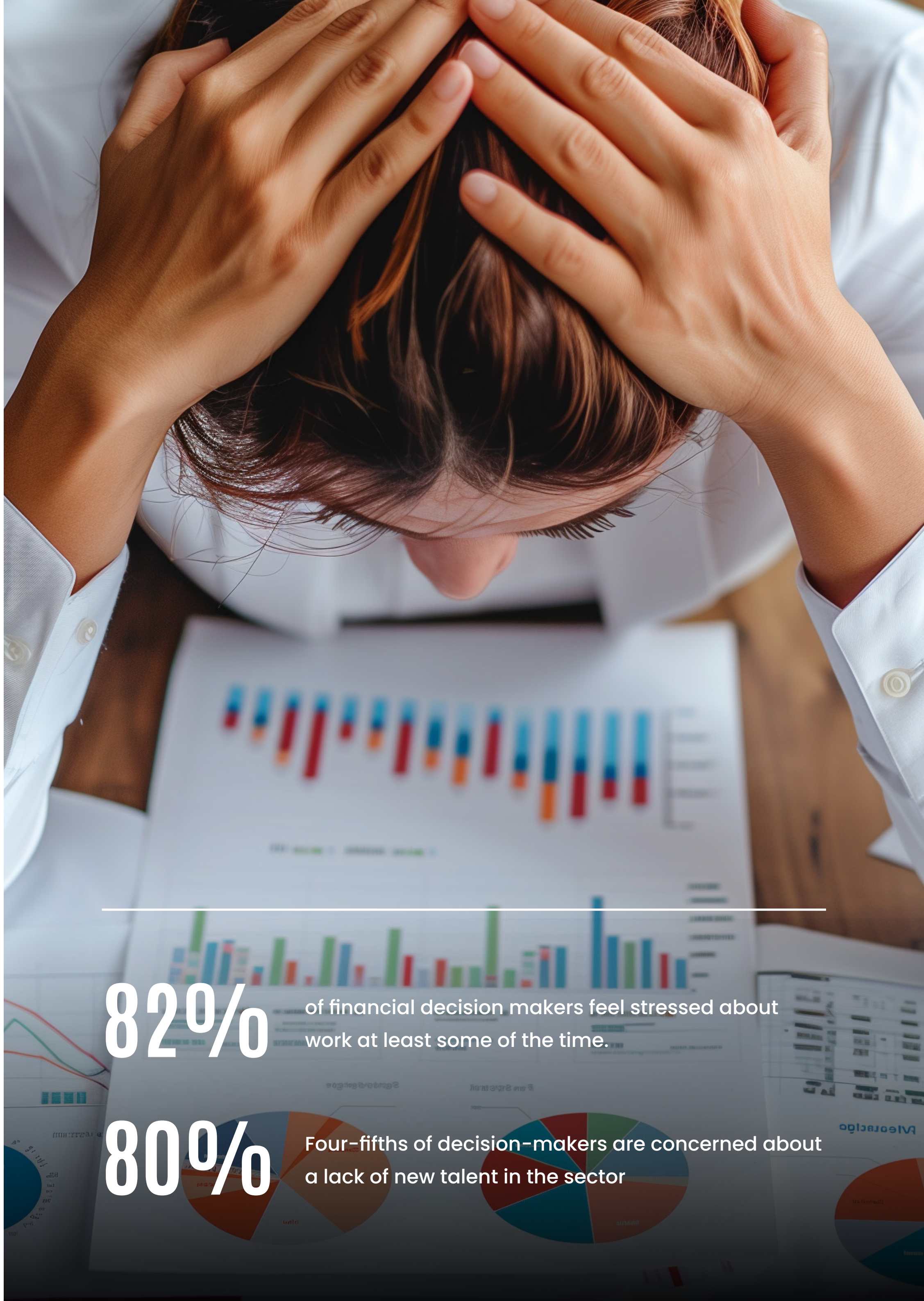
How quickly can forecasts and plans be adjusted in response to **unexpected changes** in government policy, customer failure or supply disruption?

For nonprofits, many funding options are only available if the organisation can meet specific reporting time frames. How many have been compelled to build a dedicated team to manually, and expensively, create reports in order to access vital additional funds?

# ADDRESSING ESCALATING STRESS LEVELS

In addition to the direct business implications associated with inefficient month-end processes, there is growing evidence of the effect on the mental well-being of UK financial decision makers. **40% feel stressed often or all the time and a further 42% report that they are sometimes stressed about work.**

Finance can be a high-pressure role, but no individual should be permanently stressed. At a time when **80% of UK finance decision-makers are concerned about attracting talent to the industry**, this level of stress is a grave concern, especially given changing attitudes to work.



**82%** of financial decision makers feel stressed about work at least some of the time.

**80%** Four-fifths of decision-makers are concerned about a lack of new talent in the sector

## ESCALATING STRESS LEVELS

The Government's plan to introduce the Right to Switch Off addresses growing concerns about individuals being compelled to work outside contracted hours. Proposals for a four-day week – where employees would be able to work five days' worth of hours in four days – are also being considered.

How will this work for a business where decision-makers routinely work beyond contracted hours? **Just 7% claim to never work beyond their contracted hours; the majority (56%) work at least six hours each month in excess of their contract.** Popular opinion indicates that the reality is actually far greater than this. So how are business leaders going to ensure employees are not expected or required to regularly work outside contracted hours and achieve a better work/life balance?

Many of the problems that are adding stress to UK financial decision-makers are associated with inefficient, outdated systems.

**The primary cause of stress is the lack of staff resources to meet the organisation's needs (28%)** – yet with a more efficient solution that automates and streamlines key processes, from accounts payable (AP) to month-end and year-end reporting, finance departments could be more flexible with resourcing.

Another **28% also confirm that the need to manage budget constraints for the wider organisation and stakeholders is a significant contributor to stress** – yet with a modern, cloud-based solution, departmental heads are empowered to manage their own budgets in real-time, reducing the pressure on central finance teams.

**24% also re-emphasise the pressure associated with taking too long to create reports** (audits or year-end). A modern system that can ensure organisations achieve the industry's seven-day best practice, or even quicker, can release the pressure on finance teams.

## ESCALATING STRESS LEVELS

Eradicating the manual processes that demand far too much time from these skilled, experienced individuals also provides the chance to address the other pressing areas of day-to-day stress, including:

### RESPONSIBILITY FOR OTHER AREAS OUTSIDE FINANCE, SUCH AS HR AND IT (24%)

### TEAM MANAGEMENT (24%)

### FINANCIAL UNCERTAINTY WITHIN THE ORGANISATION (20%)

### FRAUD AND SECURITY THREATS (19%)

### REPORTING UPWARDS TO SENIOR LEADERSHIP TEAM/BOARD (17%)

Improving control over core financial processes and gaining real-time insight into operational performance and key performance indicators adds significant confidence to the finance function and supports far better interaction with both finance teams and senior leadership. However, some of these concerns, especially financial uncertainty and security threats, are largely outside the immediate control of UK financial decision-makers.

38% say that having to access and manage multiple instances of software is the biggest cause of inefficiency



# HIGHLIGHTING THE INEFFICIENCIES IN UK FINANCE DEPARTMENTS

**The causes of inefficiency within the finance function are clearly understood – with almost two-fifths (38%) saying that having to access and manage multiple instances of software is the biggest cause.**

**However, there are systems available that have overcome that problem, with no need to set up multiple instances of the same software to support different legal entities, for example.**

Manual processes are also still adding to inefficiencies in finance departments.

37% of UK finance decision-makers **said that too much time is spent manipulating data in spreadsheets** and on manual data management and a lack of automation.

## MULTIPLE INSTANCES OF SOFTWARE

The need for multiple instances of software **also adds to the data management problem, as each instance typically creates its own data silo.** Investing in a solution that overcomes this problem, as well as automating key processes such as accounts payable, quickly addresses these primary areas of inefficiency.

34% Over a third (34%) also **cite poor communication between teams or senior leadership as adding to inefficiency.**

However, it can be argued that the source of this problem could well lie with the difficulties of managing data resources. If the senior leadership team does not trust the data coming from finance, communication problems are inevitable.

36% **say the inability to make informed decisions with the aid of complete, real-time data is a factor in day-to-day stress.**

Modern systems that build trust in data through real-time information supported by a full audit trail not only transform the speed with which information can be created, analysed and shared but also foster the greater confidence required to build much stronger dialogue between teams.

# UNDERSTANDING THE BARRIERS TO CHANGE

Given the clear recognition of the problems created by inefficient, outdated, systems, serious questions have to be asked as to why organisations are failing to change to modern, cloud-based solutions.

Our research has discovered that the biggest barriers to change are related to losing access to vital historical data. **Over two-fifths (42%) fear losing historical data and therefore having to run two systems in parallel to access it.** Almost a third (32%) cite the cost of having to pay for a right-to-use (RTU) licence in order to access historical data.

Concerns regarding access to historical financial data are valid: legacy data is a key component of management accounting, underpinning the understanding of evolving performance. It is, of course, also a fundamental HMRC requirement to retain historic financial records for seven years.

**Considering the significant RTU licence costs imposed by many software vendors, it is not surprising that over a quarter also believe it takes too long to see any return on investment when changing the finance system (27%).**

The latest generation of finance solutions, however, eradicates these concerns – and costs – by allowing the finance team to bring historical data across to the new system where it is held in an easy-to-access archive. This model removes the tedium of accessing two systems and the need for expensive RTU licences.

27%

believe it takes too long to see any return on investment when changing the finance system

# THE UNDENIABLE ROI ARGUMENT

When a business can buy a powerful new finance solution from £1,700 per month – without any need for an RTU licence to access the old system – the ROI equation is completely transformed: The widespread delay in providing trusted insight into business performance is having a significant impact on both the finance team and the wider organisation:

### WHAT IS THE VALUE TO THE BUSINESS OF PROVIDING MONTH-END REPORTS WITHIN SEVEN DAYS

from reducing the time spent by the finance team to improving the quality and reliability of information for the senior leadership team?

### HOW MUCH LESS STRESS WILL BE EXPERIENCED BY A FINANCE TEAM THAT IS NOT OVERWHELMED

by manual processes and inefficient technology and, as a result, not forced to work beyond contracted hours?

### WHAT IS THE ADDITIONAL VALUE TO THE BUSINESS OF EMPOWERING DEPARTMENT HEADS

to manage their own budgets in real-time and removing the burden from the central finance team in the process?

Given the pressure on recruiting and retaining talented finance staff,

### WHAT IS THE BUSINESS VALUE OF IMPROVING THE MORALE OF THE FINANCE TEAM?

How much easier will it be to recruit individuals to the business with the promise of modern systems and the use of innovative technologies such as AI as well as a chance to contribute strategically to areas such as environmental, social and governance (ESG) strategies?

## Finance decision-makers are concerned about the disruption associated with implementing new software, with 26% raising concerns regarding the lack of digital skills and 24% fearing distraction from core day-to-day responsibilities.

Investing in a dedicated individual to handle this process on a short-term basis can often deliver a quicker implementation and faster ROI. In addition to being armed with the digital skills and system expertise required to fast-track deployment, an independent third party will also be immune from any business-related distractions. Furthermore, because this is classed as a system change rather than ongoing cost, there are additional tax advantages to factor in.

**26%** of finance decision-makers raised concerns regarding the lack of digital skills

# IMPOSING CONTROL IN AN UNCERTAIN FUTURE

UK financial decision-makers fear an uncertain future not least with regard to the implications of a changing technology landscape. **Almost two-fifths (38%) cite cyber security as the primary concern regarding the future of finance, while 36% fear economic volatility and the effect on financial decision making and 36% are also worried about understanding the impact of AI.**

This latter point underlines the typically risk-averse nature of finance leaders: while the rest of the business is eagerly embracing AI to achieve a step change in efficiency and customer services, the finance function has a more subdued response. Yet AI also has a vital role to play within finance, not simply to deliver the next level of automation that will transform efficiency, reduce the manual burden and improve control but, critically, to entice the next generation into finance.

These individuals want to deliver tangible value from day one, not manually process invoices. They also have the digital skills required to achieve change. Modern cloud-based systems that explore AI to eradicate tedious tasks will play a vital role in repositioning finance as an attractive, long-term career.

Furthermore, embracing the cloud allows a business to leverage the expertise, experience and sheer financial weight of the 'hyper-scalers' to minimise the cyber security threat and avoid additional investment in security expertise in-house.

By utilising these technologies, UK financial decision-makers will be in a better position to gain the control and insight required to respond quickly to economic volatility and the associated business problems as they arise. **They will also have rapid access to the insight required to support ESG considerations in financial reporting (21%) and address evolving regulatory frameworks (22%), both cited as concerns for the future.**

**38%** cite cyber security as the primary concern regarding the future of finance

39% are very confident that their finance system is producing financial information quickly enough to drive informed decisions



# GOOD HAS JUST GOT A LOT BETTER

**Despite the fears for the future, endemic stress and clear recognition of the inefficiencies throughout the finance function, a minority of UK businesses (39%) are very confident that their finance system is producing financial information quickly enough to drive informed decisions throughout the organisation.**

Unsurprisingly, there is a degree of overlap with businesses that can quickly produce month-end accounts: **46% of organisations that are very confident in their management information can also complete their accounts in less than seven days.**

However, **31% still take over two weeks to complete their accounts,** suggesting that many are simply not aware of the limitations of existing data resources. Furthermore, over two-fifths of all organisations are only somewhat confident in their data; and 5% are not confident at all.

It is time to reset expectations of what is and what isn't possible from accounting software. **Over half of UK finance decision-makers (55%) confess that it takes more than a week to produce month-end accounts**, yet the vast majority think they are seeing data quickly enough to drive informed decisions in their organisations (81%). In today's world of speed, efficiency and immediacy, having to wait more than a week to get insight into your financial data to make an informed decision doesn't seem quick at all.

When a significant minority of UK businesses has already migrated to efficient, modern, cloud-based systems that eradicate manual processes, deliver rapid access to information and support innovative technologies, such as AI, what was once classed as 'good' has just got a whole lot better!

How will organisations which are still reliant on manual processes manage new government working rights legislation? How will they achieve ESG reporting or adapt to new regulations without investing in additional, hard-to-recruit staff? What are the plans to reduce staff stress or improve communication between finance and senior leadership teams?

In a volatile global economy, finance departments must be a source of truth able to impose control over an uncertain business through efficient processes and accurate, real-time information. Today, it is still the minority of UK financial decision-makers that are empowered to achieve that role – **and that needs to change.**

**31%** **of organisations still take over two weeks to complete their accounts**

# METHODOLOGY

*The research commissioned by iplicit, undertaken in August 2024, surveyed the views and opinions of 1000 UK-based finance leaders (CFO, FD, Head of Finance, VP etc) who work in organisations with an annual turnover between £1m and £10m.*

The research investigated the core areas of end-of-month reporting, the inefficiencies of/challenges with existing accounting software and the stress associated with their role.

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