The Future of Financial Reporting

Survey 2017

Insights from the FSN
Modern Finance Forum
on LinkedIn
Dear Colleagues,

The findings of the Future of Financial Reporting Survey 2017 are consistent with what we see in the marketplace: The process of compiling, reporting, and analyzing business data is manual, repetitive, and error-prone for many organizations. Large enterprises often employ hundreds of people to manage and maintain rolling versions of draft documents and underlying spreadsheets using legacy business productivity software and niche, point solutions.

These random, ad hoc spreadsheets contain numbers of uncertain provenance, yet they drive the substance of presentations to boards and investors. So it’s not surprising that this survey found that 40% of boardrooms do not have a complete view of the business.

Many survey respondents say they lose sleep over missing deadlines, making mistakes, and the lack of adequate controls. Too much time is spent on tedious activities of checking, cleaning, and manipulating the data, and not enough time remains for thoughtful analysis of the data.

As CFO of a NYSE-listed company, I am personally liable for the numbers we report, so I understand the anxieties expressed by the survey respondents. For control, I depend upon the knowledge and skills of my team. I also rely on our processes and Wdesk, our cloud-based technology, which we use to:

**Control the risk of unauthorized disclosure.** We won’t risk emailing confidential reports internally or externally. Two-factor authentication and permissioning at the document and section level help us control access to confidential reports, making the cloud far more secure than email.

**Control the risk of an error.** I want to be confident in the provenance of the numbers. I shouldn’t have to worry whether the numbers I review have been ticked and tied. Data linking gives me confidence in the numbers I analyze. Our full audit trail is embedded in every one of our spreadsheets and documents, which creates transparency and accountability. It also gives me peace of mind.
Minimize tedious activities. I need to be prepared to answer any question that might arise in the boardroom, which means I need quiet time to think about the meaning of the numbers. My constituents—our CEO, COO, board of directors, and investors—expect that I thoroughly understand the numbers and can provide insightful analysis on the spot. We use technology to eliminate tedious, repetitive tasks, so we can focus on analysis and decision-making.

Facilitate collaboration. Our external auditors, internal auditors, tax accountants, and attorneys, as well as our finance and accounting staff, all work on the most current version of each report by accessing our secure site. My team collaborates at various times, so we gain substantial efficiencies by embedding all of our comments and reviews directly in our spreadsheets, documents, reports, and presentations. With my travel and meeting schedule, I often review and comment on financials, MD&A, board decks, regulatory filings, and other critical documents at odd hours. I need on-demand access to the most recent version of reports.

Financial leaders still relying on traditional spreadsheets and other non-collaborative tools will continue to suffer from the concerns highlighted by this survey. While retiring old software can be uncomfortable, I found the transition to cloud technology to be seamless and the benefits enormous for improving accuracy and accountability, which ultimately decreases anxiety and risk.

Stuart Miller

EVP and Chief Financial Officer
Workiva Inc.
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Executive Summary

Financial reporting is a window into the corporate center, providing internal and external stakeholders with their most regular, thorough and visible perspective of a company’s financial performance. A CFO’s reputation rests on delivering accurate and timely financial reports, because despite the raft of new strategic responsibilities they are taking on, financial stewardship remains the cornerstone of their role. The ability to close the books, consolidate group results and publish statutory accounts and insightful management accounts in ever decreasing timescales is widely regarded as a good proxy for good corporate governance, a ‘tight ship’ and a competent finance team.

In the main, statutory reports are delivered on time, board reporting packs inform directors sufficiently and business continues as usual. But FSN’s survey of almost a thousand CFOs and senior finance professionals has exposed the less than solid foundations on which the financial reporting process is built. Across the process there are inefficiencies, inexpert fixes, delays and lax controls that cause CFOs sleepless nights and force them and their teams to spend untold hours manually checking and ensuring the veracity of the reports. Over half of respondents said reporting involves huge amounts of manual checking every time a change is made, and 60% believe they spend too much time cleaning and manipulating data. Their willingness to burn the midnight oil to ensure the financial reports are delivered accurately and on time is admirable, but it isn’t sustainable.

Figure 1:

More than 50% of respondents said reporting involved huge amounts of manual checking every time a change is made.

60% of respondents said they spend too much time cleaning and manipulating data.
Executive Summary

To make the difficult strategic decisions required to remain competitive, organizations and the boards they are accountable to need trustworthy reporting that is agile enough to adapt as business models change—but the survey reveals a very different picture.

Only 3% of the survey respondents slept soundly. The rest worried about all manner of reporting obligations, including looming deadlines, lack of adequate controls, the prospect of unanswerable questions in the boardroom and whether an unexpected error will be discovered in a critical spreadsheet. Almost half of respondents shared this last worry, which was correlated highly with a litany of other flaws in the reporting process. These included a high degree of manual checking, delays in data collection, difficulty accommodating changes in information requirements and failing to remove redundant information from reporting packs.

The report finds finance functions stuck in a spiral of multiplying spreadsheets that stems from a lack of agility within the reporting process and an over-reliance on under-resourced IT departments. 43% of the senior finance executives surveyed don’t even know how many business-critical-spreadsheets are in use. Productivity is low because of antiquated technology, and time-poor senior finance executives are still having to manually check or chase data.

Figure 2: **CFOs caught in a spreadsheet-spiral™**

43% of the senior finance executives surveyed don’t even know how many business-critical-spreadsheets are in use.
In an attempt to alleviate some of the time pressure, CFOs have prioritized the implementation of self-service reporting in order to delegate responsibility. But the failings within the process will only be exacerbated by introducing even more users. Instead, their top technology priorities of self-service reporting and producing automated documents with version control and electronic signatures should actually be last on the list of process improvements. First should be the implementation of a unified environment, either a modern ERP or CPM system that can change with the organization. In a unified environment, with autonomy in the cloud, finance functions need no longer rely on IT to adapt to organizational changes. Finance professionals can halt the proliferation of spreadsheets to cover gaps in reporting, and implement proper governance and controls, which will go a long way to reducing manual checking, data delays and redundant reports.

Only then is self-service reporting and automated document production a feasible solution for CFOs looking to devolve reporting responsibilities.

The effect in the boardroom will be significant too. According to the survey, only 60% of boards have a complete view of business performance, which means 40% are underinformed. But implementing changes at the heart of the finance function will ensure more visibility of a business’s actual performance, uncluttered by redundant or unread reports, and board packs that reflect the current market environment, rather than that of three years ago. CFOs have the opportunity, if they choose to embrace it, to turn their backward-looking financial reporting processes into meaningful indicators of future financial performance.

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Chapter 1

CFOs are not ready for an era of self-service reporting
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As the financial reporting burden grows, CFOs are seeking solutions to give themselves some breathing space. Even though financial stewardship is the cornerstone of the CFO role, they also must find time to be strategic advisors, business partners and technology evangelists.

In their quest for a workload reprieve, it should come as no surprise that senior finance executives see the enablement of self-service reporting as one of their top priorities over the next three years. Self-service reporting disperses the workload by empowering individuals to support decision-making. It enables a wider number of users to query data and produce the information and reports they need, when they need it.

On the face of it, self-service reporting appears to be an effective solution to the time-sapping requirements of producing ever-expanding reports, by giving more people the tools to develop those reports themselves.

But it can only work when it is built around a reporting process that is controlled, transparent, and efficient, and many CFOs and their senior executives just aren’t ready for an era of self-service reporting, despite a strong desire to implement it.

Reporting in disarray

If CFOs are going to hand the keys of the data room over to a larger pool of users, the integrity of the information – both within the system and what might be added by self-service users – must be assured. For a good proportion of survey respondents, this isn’t yet the case.

55% of respondents are concerned about whether their internal controls were working during the reporting period, raising serious questions over the integrity of the data in circulation.

55% of respondents are concerned about whether their internal controls were working during the reporting period, which raises serious questions over the integrity of the data already being circulated. A further 46% worry about unexpected errors being identified in a critical spreadsheet, and 40% don’t believe that their data is always trustworthy and accurate. For those CFOs whose data is in various stages of disarray, it would be prudent not to add several more users to an already fragile system.
CFOs are not ready for an era of self-service reporting

Finance executives also need to consider how agile their reporting process are because the restrictions of a rigid reporting structure will only be compounded by more users in the process. The survey found that 60% of respondents spend too much time on data cleaning and manipulation, and 54% spend too much time battling fragmented systems that require data from multiple sources.

Only 46% of respondents said they could easily accommodate changes in information requirements, and only 34% said they could make changes without depending on IT. So when gaps in reporting appear, 69% of CFOs plaster them over with spreadsheets.

Preparing for self-service

Offering a self-service option when control of data and processes is poor and the environment they operate in is too fragmented to support a system of self-service reporting, will only create problems further down the line. The low quality of data will mean more questions from users, negating any time gains, and if they’re not asking questions, they could be populating reports with errors to begin with.

To prepare the ground for a self-service solution, senior finance executives must start with a unified, controlled environment that will serve as the central repository and engine room for all self-service users. With data proliferating exponentially, from the “Internet of Things,” social media sources, sales and customer information, organizations need a central repository into which the data can be fed and then accessed by all relevant users.

Figure 3: CFOs grappling with a rigid reporting process

- Organizations spending too much time battling fragmented systems
- Organizations unable to agree they may easily accommodate changes in information
- Organizations spending too much time on data cleaning and manipulation
- Organizations unable to agree to being able to make changes without depending on IT
- Organizations plastering over gaps in their reporting process with spreadsheets
But CFOs must also consider the users of self-service software when preparing the organization for the move. Spreadsheets are often demonized for proliferating input errors or confusion around multiple versions of reports, but for some users they are the preferred method of report generation and data entry. When considering solutions, CFOs should look for a self-service choice that allows each user to engage using their preferred reporting tool, but that will still enable a unified environment in which to work. This will encourage self-service adoption and increase the likelihood of its successful implementation.

The fact that for the most part, real-time reporting isn’t on offer in the board room suggests that few organizations are ready to embrace an era of self-service reporting. Real-time reporting in the board room is an indicator of a CFO’s ability to serve up relevant and timely information to stakeholders, but three-quarters of respondents have yet to make that move. CFOs and senior finance executives ranked self-service reporting as one of their top priorities for financial reporting over the next three years, but they need to be ready. If they are bogged down by fragmented systems, manual checking, poor controls, and constant worrying about errors, self-service is likely to exacerbate these issues. Instead they must empower finance teams and managers with a unified environment, enhanced controls and a user-friendly self-service system. Then CFOs can spend more time adding strategic value to the business.

In order to address the challenges identified in this research, the core fundamental process of collaboration needs to be addressed. One way organizations can provide true collaboration, deliver real-time reporting and improved efficiencies is to leverage cloud solutions across the reporting process.
CASE STUDY 1: Ultimate Software

Early on, Ultimate Software recognized that software-as-a-service (SaaS) is a more efficient, scalable, and secure way to help its customers. But one area of the company was keeping them anchored to the past—the financial reporting team.

The team was struggling with outdated processes that took significant amounts of time and energy that led to the potential for inaccuracies and inconsistencies.

After implementing Wdesk: The powerful collaboration and review capabilities, including blacklines, track changes and the commenting feature, accelerate and organize the review and approval processes for the Ultimate Software team.
Chapter 2

CFOs have lost their grip on reporting
CFOs have lost their grip on reporting

Financial reports are being weighed down by unnecessary information as finance professionals fail to get a proper grip on an increasingly bloated and convoluted reporting ecosystem. At a time when the volume of available data is increasing exponentially, there will invariably be a rise in the type and amount of information corporate boards and shareholders will require. Externally, organizations are being compelled to add more data to their financial reports by regulatory requirements, while internally, companies trying to stay ahead in their industry will be keen to track and monitor more diverse information.

In many cases this additional data is helpful, adding clarity, nuance and competitive edge in response to volatile market conditions. But it must be managed properly within the financial reporting process otherwise it can get unwieldy and overwhelming. And it appears that many senior finance executives have surrendered to the fact that the number of reports in circulation will continue to grow.

Too much information

According to the survey, 50% of finance teams do not remove redundant information from their reporting packs, and 41% don’t remove reports that are no longer used, even as the number of reports grow. This makes the reporting pack cumbersome and can unhelpfully mask what relevant information remains.

The issue may stem from an inability to understand which reports are helpful within or outside the organizations – 34% of respondents were unable to tell which are actually used.

Filling packs with redundant or obsolete reports may be one way for uncertain CFOs to try to ensure that critical information won’t be excluded, because 43% of senior finance executives don’t know how many business-critical spreadsheets are in use.

Overwhelmed and underresourced, over a third of survey respondents were unable to see the status of the reporting process at any given time. When finance executives can’t see the wood for the redundant trees, don’t know where their reports are in the process or how the process is progressing, they become vulnerable to the ‘spreadsheet-spiral™’, a self-perpetuating trap of spreadsheet overuse.
The spreadsheet-spiral™

According to the survey, 71% of organizations depend on spreadsheets for collecting data across the majority of their business units. While the proliferation of spreadsheets is not a new phenomenon—few have been able to articulate why it is happening. This research pinpoints the two principle causes for the very first time.

Firstly, the inability of some ERP and CPM systems to change as the business changes and secondly the high dependency that most finance functions have on the IT function for even the simplest of systems changes. Only 29% of senior finance executives think they can change their organizational structure without major delays to their reporting timelines. Only 34% could make any required changes without IT intervention. So instead, they turn to spreadsheets to paper over the cracks in the reporting process, with 69% of survey respondents resorting to this inefficient solution. This reinforces the high dependence they have on spreadsheets in the first place, leading to an uncontrollable spreadsheet-spiral.

As businesses are increasingly having to respond to new competitive pressures and new technology disruptors, reporting must remain efficient and easily adaptable to new circumstances. For the vast majority, relying on the IT function to enable change just introduces unacceptable delay and means senior finance executives turn to more spreadsheets to close over any gaps in order to avoid the convoluted process of getting something changed.

That’s not to say spreadsheets are no longer fit for purpose, but an over-reliance on them can make it much harder to be agile and accurate. In today’s rapidly changing corporate environment, companies are having to improve their business models and change their corporate structure to stay competitive.

As the number and complexity of reports grows, using spreadsheets to track and manage financial reporting is increasingly ineffective, and sometimes downright obstructive.
CFOs have lost their grip on reporting

**Figure 4:** The spreadsheet-spiral™

- **1.** HIGH DEPENDENCE ON SPREADSHEETS
  - 69% of CFOs rely on spreadsheets to plaster over their reporting processes.

- **2.** RAPIDLY CHANGING BUSINESS MODELS
  - 71% of organizations depend on spreadsheets for collecting data across the majority of their business units.

- **3.** HIGH DEPENDENCE ON IT
  - 46% of organizations are dependent on the IT function to make changes to their reporting.

- **4.** SPREADSHEET PLASTER / TAPE
  - 49% of organizations are unable to change their organizational structure without major delays to their reporting.
Losing control

Without control of the proliferating report cycle, CFOs will find it even harder to track and refine their financial reports. More than half of CFOs confess to spending too much time manually checking each time a change is made, and in 57% of cases, only one person can work on the report at a time.

This loss of control affects the integrity of the reporting process, and senior finance executives leave themselves open to severe reputational damage if errors are overlooked.

Despite the difficulties CFOs and senior finance executives have maintaining control of their processes and reacting to changes in the corporate environment, getting on top of their reporting situation is still low on their priorities. In a ranking of reporting priorities over the next three years, “ensuring that critical spreadsheets are identified and controlled” and “reducing the size and number of reports in circulation” were ranked fourth and fifth on their priority list.

The proliferation of alternative technology, the reliance on spreadsheets and the dogged inability to clear out old data remains a substantial stumbling block to an improved reporting regime. To make matters worse, ignoring basic housekeeping duties, like clearing out redundant reports, may indicate that controls in other areas of the financial reporting cycle are not entirely robust.

While papering over the cracks with yet another spreadsheet may keep the wheels on for another reporting period, it can’t last indefinitely. CFOs are doing a disservice to their new strategic role by offering up obsolete or obscured information when the board and shareholders really need more clarity to compete effectively.

This research highlights that current technologies, including spreadsheets and other systems, are limiting the agility required for modern financial reporting. This is highlighted by the fact that only 29% of senior finance executives state they can change their organizational structure without delaying the reporting process, and only 34% could do so without IT intervention. The patchwork of spreadsheets necessary in reporting packs has reached critical mass; 43% of senior finance executives don’t know how many business-critical spreadsheets are in use.
CASE STUDY 2: Automating data entry

A European technology company was growing rapidly, but its financial reporting processes weren’t keeping pace. A team of about 50 financial reporting professionals and many other content owners used Microsoft® Office, plus an external reporting program, plus several outside contractors to handle external reporting, compliance, internal reporting, and other processes for the company.

“We had to copy numbers from one Excel® file to another or even retype them. It was very inefficient and posed a huge risk for inconsistencies.”

Now with Wdesk the company has achieved significant time-savings. “I know for sure we’ve decreased overtime by about half,” says the manager. He estimates the company has saved almost 500 hours in overtime, totaling approximately $15,000.

“With our previous tool, we had to do all of those updates manually. With Wdesk, it’s a simple push of the button to upload the numbers, and almost the entire document is updated.”
Chapter 3

Unexpected error anxiety may be more serious than CFOs realize
Unexpected error anxiety may be more serious than CFOs realize

Corporate reporting is not static. Changing regulatory requirements and the abundance of new data to inform the corporate story continuously affect the content, speed, and efficacy of financial reports. From this quagmire, CFOs must create order and process to ensure the board and investors get the right information, on time and without error.

Through the lens it is no surprise that senior finance executives are losing sleep over their financial reporting. Worrying isn’t necessarily a bad sign. It can mean CFOs are invested in their responsibilities and will be more motivated to find solutions to their issues. There are invariably many things senior finance executives can lose sleep over, from time pressures to accuracy concerns to compliance and control worries.

In fact only 3% of survey respondents weren’t losing sleep over their reporting processes or deadlines, and 7% only worried about one aspect of the process. This means 90% were worrying about at least two financial reporting concerns, and in some cases, the worries were actually part of a larger pool of misgivings and process failures indicative of a malaise in their entire financial reporting system.

Losing sleep over unexpected errors

Meeting deadlines is the top worry amongst senior finance professionals, affecting 62% of survey respondents, indicating that the time pressure evident with an increasingly diverse and strategic workload remains an issue even where financial reporting comes in.

This is followed closely by process concerns, with 55% worried about whether financial controls are working and whether all documents and disclosures reflect the most up-to-date changes to the accounts. Coming fifth on a list of six nightly worries is this: “Will an unexpected error be discovered in a critical spreadsheet?” Nearly 46% of senior finance professionals agreed or strongly agreed that this worry kept them up at night. On its own, this may look a simple anxiety; however, it was strongly correlated with a series of further concerns or shortfalls indicating lax controls, inefficiencies in data collection, a lack of agility in the reporting process, and a lack of understanding of which spreadsheets were critical in the first place.
Almost all (93%) of these error-prone worryers lacked the confidence that controls were working during the reporting period. This compares with more than half who weren’t prone to worrying about errors and therefore confident of their own controls. Worrying about unexpected errors in critical spreadsheets also meant these organizations were prone to more manual checking, their data collection took up more time, they were less able to accommodate changes in information requirements and they didn’t remove redundant information from their reporting packs.

Figure 5: The reporting process keeps 97% of CFOs awake at night

- **90%** The vast majority worry about at least two aspects of the reporting process
- **7%** A small minority worried about one aspect of the reporting process
- **3%** A small minority do not lose sleep over their reporting process or deadlines
A system in crisis

The litany of other issues that dog organizations with concerns about unexpected errors is symptomatic of a reporting ecosystem in crisis. These organizations are hindered by the weakness of the reporting process, and boards are delayed from making critical business decisions over concerns about the accuracy of the data.

They struggle for time, are less likely to spend the right amount of effort on data collection and analysis, and while they’re spending extra time manually checking their data, they have less time to spend on controls and compliance, exacerbating the weaknesses in their processes.

The received wisdom is that if a problem is substantial, tackle small amounts of it piece by piece. But reporting is a linear process—it is only as robust as its weakest link, and a bottleneck or jam in one place will affect the entire outcome. This means CFOs and senior finance executives can’t fix these issues piecemeal.

A solution for more peaceful nights

The survey results imply that issues and errors are not isolated and the remedies for them shouldn’t be either. To address the root causes of these myriad of issues, organizations need to create a unified environment, centralizing ERP data and workflow processes from which all stakeholders can draw from and upload to. This doesn’t mean throwing out all the spreadsheets, but it does mean developing a central repository where data can be stored and analyzed and from which reports can be generated.

These days a robust corporate performance management (CPM) tool will do all these jobs – ensure stakeholders can easily input the data, establish the veracity of the data, accommodate changes to the information requirements by adding new parameters to the system, and generate timeous reports. This will ensure trust in the accuracy of the data and remove doubts that could delay decision-making.

A robust CPM system will enable CFOs to identify the business-critical data and ensure the most vigorous controls are in place to protect the accuracy of generated reports.
CFOs and finance executives who are freed from the spiral of spreadsheet analysis, haphazard controls, and untrustworthy data will be able to refine their outputs by removing redundant information and quickly respond to changes in requirements without worrying whether the changes have percolated through the corporate reporting structure.

A simple worry can turn into a much bigger headache for CFOs and senior finance executives who don’t get a proper handle on their financial reporting ecosystems.

Over 90% of the survey respondents worry about at least two aspects of the reporting processes, and only 3% of survey respondents weren’t losing sleep over their reporting processes or deadlines. This is supported by Workiva CFO Stuart Miller’s focus on various risk controls, including the risk of unauthorized disclosures and errors. With a combination of leveraging the knowledge and skills of the team, internal processes, and technology platforms like Wdesk, CFOs can focus on improving accuracy and accountability.

Figure 6:  
A reporting ecosystem in crisis

Percentage of respondents concerned over different aspects of the reporting ecosystem. The survey found that the concerns tended not to be isolated, and 90% of respondents were concerned about two or more aspects of the reporting process.
CASE STUDY 3: Automating reporting

Before hiring a financial reporting manager, one company’s chief accounting officer was handling a big share of the tedious, time-consuming financial reporting process. The company asked its new financial reporting manager—who had previously used Wdesk at a public company—to bring her knowledge of public accounting and best-in-class processes to the private firm.

Her first recommendation: get Wdesk. When the CFO asks the financial reporting manager for a specific report, a different document format or a new set of slides, she can fulfill the request quickly and easily. Linked data in Wdesk ensures accuracy and creates a smooth experience across all documents and reports. With the solution streamlining time-consuming tasks, including formatting and adding tables in documents, she can focus on value-added work such as reviewing files and responding to report requests from the C-suite.
Chapter 4

Productivity is under threat
Productivity is under threat

Time-poor CFOs are struggling to keep up with their growing list of responsibilities. The only way they can take on the more strategic role their position now demands is to make the most productive use of their time, but this survey shows they aren’t managing to do that with their financial reporting duties.

Mired in manual reporting methods like spreadsheets and outdated desktop applications, CFOs spend their time worrying about errors and delays because their processes are technologically archaic.

CFOs can no longer ignore the impact of outdated technology on their financial reporting process, and the case for investing in back office technology needs to be brought to the table.

Back office – front of mind

Front-end systems have been lavished with resources for many years now. Customer-facing applications that enable sales or improve customer service and retention have been the principal beneficiary of technology allocation, and for good reason. In a highly competitive market, organizations need to generate sales and grow revenue to stay in the game. A lack of investment in back-office systems is becoming a serious hindrance to productivity, and in the case of financial reporting, could be the source of a major error leading to reputational damage.

For financial reporting, the technology failings that are putting a strain on productivity are often quite basic. According to FSN’s survey, 34% of respondents had difficulty merging different document types into one report. If the issues are unresolved finance staff may end up spending time manually transferring the data, which is an unproductive use of their time.

In addition a similar percentage doesn’t automatically link and update documents from underlying spreadsheets and word-processing documents. This means all changes must be filtered from source documents into the final reports manually. This may be why 54% of survey respondents said their reporting processes involve huge amounts of manual checking every time they make a change.
To be sure, manual checking will at least provide peace of mind for worried CFOs who want to ensure the data in their reports is correct and distributed accurately throughout the financial report. However, it is an incredibly inefficient way to do it and indicative of a process that isn’t well-controlled or transparent.

Inefficiencies also arise when the process is inflexible. 57% of survey respondents said it is difficult for more than one person to work on the same report during the process of putting together the financial accounts.

The root of the issue may be the fact that almost three-quarters of companies surveyed still use outdated desktop publishing tools. Limiting the number of users working on each report is designed to limit errors and avoid the issue of multiple copies in circulation, but it is inefficient and can hold up the whole process if each user doesn’t timeously ‘release’ the report back into circulation.

**Headcount heading down**

Productivity concerns are being compounded further as CFOs struggle with headcount reduction and growing pressure to reallocate resources to fuel the management reporting engine. One quarter of respondents had reduced their finance headcount in the last three years, and 40% had kept headcount flat in the same period. When reporting relies so heavily on manual checking and processing, reduced headcount only makes the issue worse.

**Figure 7: Finance functions under pressure due to headcount reductions**

- 25% of organizations have reduced their finance headcount over the last three years.
- 40% of organizations have kept their finance headcount flat over the last three years.
A technical solution

It seems CFOs know they have a productivity problem because they ranked improved productivity through standardization and automation as their top reporting priority over the next three years. Standardizing and automating simple tasks within the financial reporting process is a very good place to start improving productivity targets. Ensuring all stakeholders are using standardized technology will enable automatic merging, linking and updating of reports, which will clear some of the manual backlog.

But CFOs should go further: New technology is widely available that will enable multiple users to work on reports, ensure data integrity in a centralized environment, and raise productivity standards so that finance executives are adding value rather than checking facts.

There are other simple fixes that CFOs and their executives can do to take back control of productivity, like reducing the number of reports being produced. FSN’s research found that senior finance executives don’t always take redundant reports out of circulation, even as new report requirements add to the growing density of reporting packs. Back-office technology solutions that improve the visibility of the process and the data underlying it will allow finance executives to recognize the critical reports and exclude the redundant ones.

The most up-to-date systems will also likely include social networking benefits, like in-app chat and collaborative tools designed to engage stakeholders and improve the reporting process. Admittedly, this often requires a substantial shift in corporate culture, but it will improve visibility and collaboration in the reporting process, help resolve issues and queries quickly, and improve productivity overall.
Investing in technology to improve financial reporting productivity will solve the problem of disparate document types, allow more than one person to work on documents at the same time without threatening the integrity of the data, and reduce the time spent on making and checking changes. With the right tools, financial reporting can become a collaborative, accurate process, but CFOs will need to invest in a unified environment, so the back office can become as productive as the front.

Financial leaders from this study, and across the 2,800+ customers that Workiva serves, have consistently stated that they need to do more with less. 65% of respondents to this survey stated that their financial headcount was flat or reduced over the past few years.

This situation requires a focus on efficiency, process improvement, automation, and a focus on how technology solutions can help meet these goals. Workiva customers have met their efficiency goals because of the collaboration, linking, integration, as well as history and auditing features of Wdesk.
CASE STUDY 4: A single source of data

New leadership at Brown-Forman, a spirits and wine company, which sells famous brands—including Jack Daniels, Finlandia, Korbel, and Herradura—worldwide, wanted the FP&A reporting team to find a more efficient way to produce the board of directors report. The senior analyst in corporate development, Andrew Campbell, took on this challenge. At this time, the report had multiple parts, and content came from around the organization. To make an edit—even a simple word change—Campbell had to go into the section, edit it, save it, and compile it back into the full PDF. “Our process was inefficient, in regards to who was touching it and how the data came together,” he says. “It was painful, to say the least.”

When he started using Wdesk, he saw big benefits in combining all the information in a single place and format, instead of manipulating multiple PDFs and Word®, Excel®, and PowerPoint® files from his 12 team members around the world. He also saw potential for producing a more polished report if he could accelerate the report development timeline to allow more time for management review.

“People can be pretty set in their ways, so it helped that the CAO embraces new technology,” says Campbell. “If you’re working with content providers who like their current processes, it’s always good to say, ‘Our CAO would like us to use this.’”

Productivity is under threat
Chapter 5

Problems in the boardroom
Problems in the boardroom

While CEOs and their executive management teams take on the daily running of the business, they are answerable to the board members, who take the financial reports as their primary source of insight. At this level, the information should reflect a rounded view of the company, enabling them to make well-informed decisions for the good of all stakeholders.

But financial reporting is consecutive, and the board is at the very end of complex process, fraught with challenges and risks that will impact the dependability of what is reported in the boardroom and affect the ability of the board to make effective decisions. Only 61% of senior finance executives say the board always has a complete view of business performance. This means many corporate boards are making their decisions with one hand tied behind their back.

The survey also found that only half of CFOs can immediately answer ad hoc questions about performance in the boardroom. If the board isn’t getting all the information it needs from their reporting packs, it follows that in some cases, the gaps won’t be filled by asking questions.

Meanwhile, board packs are not keeping pace with the changes in business models and the competitive environment. Only 57% of respondents have changed their board pack in the last three years. Considering the relentless pace of innovation and change in every sector of the market, it is unlikely that the static board pack, can be as relevant in today’s corporate environment. This reflects the issue, previously raised, of redundant information and unused reports clogging up the reporting pack, muddying the waters for board members who really need clarity and insight.

Even if the reporting pack can be kept free of extraneous information, CFOs are not providing the board with progressive data. 55% of respondents have yet to include more forward-looking information in their reporting packs, encumbering boards with historic information that doesn’t provide the foresight necessary to help them make competitive decisions. This may be because even the backward-looking data is not entirely trustworthy. 30% of respondents have delayed their decision-making because of doubts over the quality of their data.

To remain competitive in a fast-changing market, organizations need
timely insight and foresight, but 75% of boardrooms don’t have real-time access to information. Reports are already outdated by the time boards meet, and board members are not challenging the antiquated methods of reporting that are hindering the quality and timeliness of their corporate information.

Boards work for all stakeholders, internal and external, and it behooves them to challenge the status quo of the reporting process so that they have the right information to make strategic decisions for the good of the organization as a whole.

**Statutory reporting falling short**

Even as the survey identified substantial shortcomings in the boardroom, reports for external consumption aren’t exactly meeting stakeholder needs either.

Almost half of senior finance executives believe the statutory reports are too complex for investors to understand, while 64% say the information in them is too late to be relevant to investors. To this end, 77% of respondents believe investors need more frequent but simpler reporting requirements in order to properly understand the performance of the business.

And if investors have questions about the contents of the report, over half of senior finance professionals who took part in the survey believe they should be able to query the statutory reports themselves. This is essentially what XBRL was supposed to do, but 46% of CFOs say XBRL has not made the impact it was expected to.

The limitations of statutory reporting should come as no surprise to corporate veterans. Over the years, there have been many efforts both globally and nationally to simplify statutory reporting, and as far as possible, to give external stakeholders the same view of performance as internal stakeholders. Yet despite global efforts of accounting standards bodies backed by political will, the financial community remains frustrated with the overly complex, backward-looking statutory reports they are required to produce quarterly.

77% of respondents believe investors need more frequent but simpler reporting requirements in order to properly understand the performance of the business.
While these convoluted statutory standards remain in place, it should be the CFO’s mission to build an uncluttered board reporting pack that provides real insight and foresight about the organization and the market in which it is operating.

With 75% of boardrooms lacking real-time access to financial information, the ability for boards to make real-time decisions is virtually impossible. A cloud solution with true collaboration eliminates this issue, enabling decision making and oversight based on the latest financial information.

Figure 8: 

Statutory reporting falling short

- 47% of CFOs believe the reports are too complex for investors to understand
- 46% of CFOs say XBRL has not made the impact it was expected to
- 64% of CFOs say statutory reporting is too late to be relevant to investors
- 77% of CFOs say investors need more frequent but simpler statutory reporting to understand performance
- 52% of CFOs say investors should be able to query statutory reporting for themselves
CASE STUDY 5: Wdesk

A European technology company was growing rapidly, but its financial reporting processes weren’t keeping pace. The reconciliation team manager who oversees many of the reporting functions said the company’s complicated reporting processes made it difficult to maintain consistency. It was time to find a better financial reporting solution.

Since putting it to use, Wdesk has decreased the amount of time it takes the team to compile each report by at least 80%, cutting a day off the process each month. The company’s board members approve of Wdesk, too. “Once they see the linked numbers in Wdesk, they have more confidence in the report,” says the manager. “Our CEO is especially enthusiastic about Wdesk.”
Chapter 6

CFOs are overwhelmed and looking for a quick fix, but their priorities are backward.
CFOs are overwhelmed and looking for a quick fix, but their priorities are backward

The finance function, this survey has revealed, faces three major obstacles to an efficient, effective and economical reporting environment, namely; the self-perpetuating spreadsheet-spiral™, a matrix of problems within the reporting ecosystem, and trouble in the boardroom.

CFOs are overwhelmed by the growing number of reports to be produced, the delays owing to antiquated systems, and the increasing workload demanded by their more strategic corporate role. Their technology priorities suggest they are looking for quick fixes to free up their time. They rated their top concerns as being able to produce automated documents with version control and electronic signatures, and setting up self-service reporting—both of which are designed to devolve responsibility and free up time.

But the reporting process is linear, and it’s only as fast or efficient as the weakest link. If CFOs try to implement quick fixes at one end of the process when they face challenges across the board, they will be building on shifting sand. The solution is to tackle the problems holistically, from the ground up, from spreadsheet-spiral to boardroom.

Fixing the spreadsheet-spiral

To tackle this fundamental issue at the very base of the reporting pyramid, organizations must put in place unified transaction and management information systems that can change with the organization. Modern ERP or transactions systems, as well as CPM or performance management systems, are able to take organizational change in stride, but many enterprises are saddled with decades-old solutions that are inflexible to change. If the system can be maintained and changed by the finance function all the better, as this eliminates a frustrating bottleneck at the IT department.

These days cloud solutions tend to offer finance functions that autonomy. They generally require less IT involvement, and the world’s major software developers are now putting their R&D dollars almost exclusively into cloud solutions. So not only are cloud solutions likely to be more adaptable and require almost no IT involvement, they are also the main source of finance process innovation, including the latest functionality.
Implementing a unified system (transaction or management information-based) that can adapt as the organization changes, automatically reduces the number of vendors, and enables collaboration and sharing of common information. These ranked last on respondents list of technology priorities in the survey, yet they need to be tackled first to build a strong reporting foundation.

**Reporting ecosystem in crisis**

Resolving the spreadsheet-spiral is only the first step in reaching the boardroom goals CFOs aspire to when they look to implement automated document production and self-service reporting. Because underlying the reporting process is an ecosystem in crisis.

46% of survey respondents were concerned that an unexpected error might be uncovered in a critical spreadsheet. This fundamental uncertainty was an indicator of a network of problems within the reporting process, with worriers more likely relying too much on manual checking, failing to remove redundant information, fretting over lack of controls, and failing to identify critical spreadsheets.

Having dealt with the issue of spreadsheets spiraling out of control, CFOs can focus on governance over the spreadsheets that really matter, identifying high risk spreadsheets and monitoring them, and ensuring those that remain are pertinent, trustworthy and controlled. This will enable finance executives to identify critical spreadsheets, adopt a single chart of accounts, and start to clear out redundant reports that are clogging up the reporting pack.

**The boardroom**

Operating under a unified environment enables CFOs to stem the proliferation of spreadsheets and encourages them to control the reporting environment with the right tools. In turn the impact this has on the problems in the boardroom is far-reaching. It enables senior finance executives to present a much more complete view of the business to the board, which will help the 40% of organizations that currently can’t see their organizations from all sides. With centralized information, CFOs can finally move toward automated document production and disclosure management, and can be more confident in devolving responsibility through self-service reporting tools. Real-time reporting becomes more feasible, and there should be fewer delays in decision-making over data quality concerns.
CFOs are overwhelmed and looking for a quick fix, but their priorities are backward

The technology priorities listed by the survey respondents suggest a frustration with their workloads and quests for a quick fix to free up their valuable time. They want automated document production and self-service reporting, but their systems aren’t stable and agile enough to ensure it doesn’t become a rod for their own backs. They might want a single chart of accounts and automated governance and control of spreadsheets, but their spreadsheet-spiral™ is out of control. Instead, they should tackle their last priorities first. By reducing the number of vendors and enabling collaboration within a unified system, they can control the spreadsheet problem, resolve the crisis within the ecosystem with proper controls and management of the process, and deliver a boardroom report that is accurate, relevant and timely.

In this study, financial leaders revealed that their top concerns are focused on challenges involving responsibility and gaining back time for more value-added tasks. Analyst research shows how adopting the right technology can have an immediate positive impact on these types of challenges.
CASE STUDY 6: Linking reports

This company originally began using Wdesk to streamline SEC filings, but wanted to apply it elsewhere to improve internal reporting processes and other external reports, such as sustainability reporting. In the past, when one number changed, the reporting team burned up a lot of time checking documents to ensure the number was updated throughout the file. Linking in Wdesk solved that problem. “Now I have more time to analyze the data and look at the business, rather than checking information in the document,” explains the director.

CFOs are overwhelmed and looking for a quick fix, but their priorities are backward
Chapter 7

Methodology
METHODOLOGY

The survey drew responses from 977 international senior finance professionals from our 49,000 strong FSN Modern Finance Forum on LinkedIn.

This survey covered finance professionals across 23 different industries. 81% of these professionals were considered to have senior job titles and above.

Geography of Respondents

Organizational Size — Number of Employees
ABOUT FSN

FSN is a global publisher of thought leadership, research and “must-have” content for CFOs and senior finance professionals around the world. FSN’s highly popular and active Modern Finance Forum on LinkedIn has a membership of more than 48,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk and www.fsnelite.com websites and regularly holds networking dinners and events for its members.

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