The State of CFO's Office: A Mid-Market Perspective 2022

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Executive Summary

In this report, Industry Dive and HighRadius present the results of their latest finance survey that examines CFOs' priorities, the biggest risks to business growth, and how accounts receivable (AR) automation can help companies achieve their goals in 2022. We received 154 responses from US-based senior finance executives across a wide range of industry verticals.

Our key findings:

- In 2022, CFOs will continue to focus on managing costs and look for deeper insights that can help them gain efficiencies, reduce risk, and ensure liquidity. However, hampered by legacy technology stacks, many companies struggle to efficiently onboard customers and effectively manage a remote and hybrid workforce.

- The shortage of skills is a challenge that affects the ability of mid-market companies to grow and scale. Attracting and retaining talent was a top priority for over one-third of the survey respondents and was also one of the biggest risks to achieve their goals in 2022. Companies are looking to add talent to their accounts payable (AP) or accounts receivable (AR) teams that are technology savvy, have an accounting background and specific certifications. Finance leaders will provide training, attract more talent, and add technology tools to improve the efficiency of their AR functions to bridge the talent gap.

- Customer experience (CX) is a competitive differentiator in AR. Companies that lag behind in AR technology risk losing customers to those that provide a superior customer experience. Easy-to-use digital payment options are a top priority for companies and one-third of finance executives felt that CX was a top reason to invest in AR technology.

- Paper-based AR processes cost companies between US$16 and US$22 per invoice. Most finance executives say improving AR efficiency will result in significant cost savings for their companies. Optimizing AR processes is also directly related to cash flow improvement.
- Scaling for growth poses significant challenges for many companies this year, as revenues grow faster than their capacity to process AR. One-third of the companies surveyed, will therefore automate invoicing, cash application and reconciliation processes, and collections in 2022.
- The common benefits of AR automation include working capital and increased transparency into cash flows. In the next two to three years CFOs are expected to adopt AR automation technology that allows for digital payments, accommodates advanced data analytics, and has artificial intelligence (AI) and robotic process automation (RPA) capabilities.

I. Introduction

In December of 2021, Industry Dive in partnership with HighRadius undertook a survey of senior finance executives to determine the issues which affect CFO office agendas in 2022. More specifically, we asked 150+ finance leaders in the industry what their top objectives would be in the coming year, what significant threats were on the horizon, and how they intended to meet their goals while minimizing those risks.

Finally, we asked how automating AR processes could address the emerging challenges in 2022, and the resulting impact it might have on customer service, costs, and cash management. This report presents those results along with expert commentary on how advanced AR automation technology provides a host of benefits, including creating competitive advantage while helping companies attract and retain the type of talent they need to achieve their growth objectives in the coming months.

II. CFO Priorities and Challenges

In 2022, against the backdrop of the rapid spread of the Omicron variant, ongoing skills shortages, supply chain disruptions, and rising input prices, CFOs will focus on managing costs. In fact, over half of the executives in our survey said 'cost optimization' would be a top priority. With an even closer eye on the bottom line this year, they will also look for deeper insights into how to improve operating efficiency, maintain liquidity, and minimize risk. (See Table: Top Priorities for Senior Finance Executives in 2022)

Top Priorities for Senior Finance Executives in 2022

Cost optimization	56.4%
Data driven decision making	44.3%
Reducing risk	43.9%
Finance team restructuring	39.9%
Optimizing liquidity management	37.8%

High Risk Factors for Companies in 2022

High Risk	% of respondent (high risk)
COVID shutdowns	40.5%
Input price increases	34.9%
Attracting and retaining talent	32.2%
Cyber risks	30.0%
Increased competition	28.0%

While macro-economic forces will have a significant influence on business agendas this year, companies are dealing with other factors that continue to hamper the efficiency of their operations. Remote working and legacy technology stacks were cited by over 40% of respondents as having a very significant negative impact on business efficiency, followed by the length of time to onboard new customers and verify credit facilities.

> Planning and forecasting, even for 3-5 years, is becoming difficult as a result of the volatile economic conditions. Interest rates are changing and how you manage cash is becoming hard to control.
>
> **NIPUN SONI,** CFO, BilliontoOne

What Creates Inefficiency in Your Company?

41.3%	41.2%	36.7%	35.5%	29.1%
Remote working	Outdated technology	Time to onboard customers	Verifying customer credit	Time to onboard accounting staff

Specifically, remote working has resulted in security concerns and challenges in tracking work productivity. It is also subject to ongoing data access problems and creates gaps in information and communication.

Top Challenges with a Remote Accounting Workforce

Remote and hybrid working has also created a new level of complexity for CFOs, explains Morris Kupfer VP Finance at HighRadius. In addition to the security systems and work monitoring issues, he notes, CFOs have had to make remote work part of their talent attraction and retention package for accounting teams. “Everyone’s hurting from attrition”, he comments, “and recruiting and retention in this environment is uncertain, so being able to work remotely is table stakes now, and an important recruiting tool in 2022.” “The key, however”, he adds, “is making sure the company has made the right technology investment to allow for that. It’s not really optional anymore.”

III. Minding the Skills Gap

The skills gap that plagues the US economy is not new, and CFOs have been complaining about talent shortages for years. However, 2022 is different. We see now that the 'great resignation' resulting from the COVID pandemic could have long term impacts on skills shortages, and for companies competing for scarce talent, it is likely to result in above average wage bills for many months to come. The November Conference Board Salary Increase Budget Survey forecasts a 3.9% jump in wage costs for firms in 2022, compared with 3% reported in April 2021. This would mark the highest rate since 2008.

> Hiring employees with good analytics skills and business acumen is a key priority in 2022.
>
> **APURVA DESAI,** CEO, Sarvian

In addition to escalating wages, the Great Resignation has further drained the already shallow accounting talent pool, making attracting talent a top priority for over one third (35.8%) of our survey respondents in 2022. At the same time, 32% of our respondents responded that attracting and retaining talent was also one of the biggest risks to achieving their goals.

However, it's attracting the right talent to fill the current skills gap in their AP/AR function that might pose the greatest difficulty. Many CFOs in our survey reported that they lacked technology skills (43%) in their AP/AR department, followed by 39% who reported their AP/AR personnel lacked accounting training.

The Skills Shortage in AP/AR

43.2%	39.9%	33.8%	33.1%
Technology	Accounting training	Knowledge sharing	Certifications

In 2022, CFOs will take various approaches to close the skills gap in their AP/AR teams. Roughly half of our respondents will be providing more training for their existing staff while continuing to add personnel. Many will also be investing in new AP/AR technology tools (44.4%).

Closing the AP/AR Skills Gap in 2022

52.3%	47.0%	44.4%
Up-skill employees	Hire more staff	Add technology tools

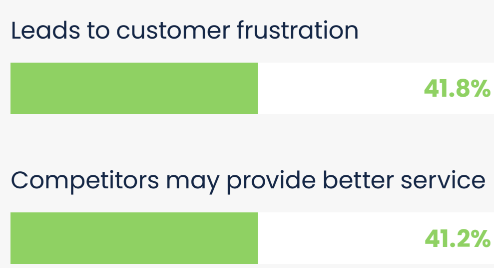
According to Kiran Rana, General Manager of Mid-Markets at HighRadius, adding technology tools to the AR process is the most cost-effective way to close the skills gap in 2022. "With the talent shortage pushing wages northward, companies have realized that simply adding more staff isn't as efficient as improving the productivity of their existing AR teams."

For companies that are growing very quickly, it's often not possible to double or triple their AR teams as fast as they need to, he notes. "Most companies are also looking to optimize the way the AR team is structured and to find a technology solution to replace clerical manual tasks with higher value analytical and strategic work." Once that technology is in place, he adds, companies will be looking for a different skill set to complement their AR teams. "When it comes to attracting and retaining talent, making the job interesting, particularly in the finance world will give companies an edge over those that can only offer repetitive bookkeeping and processing type of work."

IV. Why CFOs Care About the Customer Experience

Traditionally, it was the marketing team that would focus on the customer experience (CX). For most CFOs, the ROI on improving CX was not a metric typically falling within their bailiwick. However, when it comes to AR technology, CFOs have come to understand that falling behind the curve can lead to customer frustration and risk their position in the market.

Risks of Falling Behind the AR Technology Curve



Over one-third of the finance executives in our study (38.8%) said that ease of use for customers was a top reason for investing in AR automation technology, and over half (51.7%) recognized that improved customer service was an important metric in evaluating the ROI of digital transformation.

AR automation technology helps improve the CX by offering easy-to-use digital payment options, customer self-service portals, and a variety of other customer-facing tools to make the payment and invoice management process customer-centric, as opposed to vendor-centric. And this is critical in a world where … "customers hold every site to the experience they had at the best site", explains Terry Jones, leading consultant, author, and speaker on digital disruption. "So, every site has to strive for a better experience in order to keep up." To that end, he adds, "the role that AR technology can play in improving CX is just as important as any other customer facing technology tool, and the most important trend in this space is giving consumers more ways to pay."

> The customer experience is a key determinant of success or failure in the digital business ecosystem.
>
> **TERRY JONES,** Author, digital disruptor

> Customer experience to me is pretty simple. Unhappy customers will result in disappointing financials. We live in a connected world where even one negative experience could have an impact. Imagine a pebble dropping in a pond, there's a ripple effect.
>
> **MORRIS KUPFER,**
> VP Finance, HighRadius

V. Impact of AR Automation on Cost, Cash, and Revenue

While CFOs recognize the importance of improving the CX, and the role that AR automation plays in achieving that, their traditional priorities haven't changed. Managing costs, optimizing liquidity, shortening the cash conversion cycle, and reducing risk still top their core agendas for 2022, and AR automation is also helping them achieve those goals.

> AR is our largest asset, and collections is the #1 priority
>
> **STUART HALL,** CFO, RailPros

When it comes to AR, paper-based invoice processing is estimated to cost between US$16 and US$22 per invoice and these necessarily must be delivered by post or fax. It is therefore not surprising that 86% of our survey respondents say improving AR efficiency will result in significant cost savings for their companies.

At the same time, they report that improving liquidity and cash flows will also be tied directly to improving AR processes. Over one-third reported that in 2022 they will be focusing on improving customer credit checks, sending invoices immediately, and offering electronic payment options to help manage cash.

AR Measures to Improve Cash Flows

36.6% Better credit checks	36.6% Send invoices immediately	34.0% Electronic payments options

VI. Spotlight on Growth

It is well documented that outmoded technology can have a significant negative impact on business efficiency, particularly for companies that have transitioned to a remote or hybrid workforce. For roughly 40% of the companies responding to our survey, outdated technology had a 'very significant' impact on the efficiency of their businesses. We also find that many companies are challenged with slow manual AR processes, a lack of visibility into cash flows, invoicing, and cash reconciliation errors, and the greatest challenge— scaling the AR department for growth.

Many of the companies in our study were set for substantial gains in 2022. For example, in 2021, only 14.2% of respondents predicted their year over year revenue would increase by over 50%, compared to 27.9% in 2022.

Top Challenges in Managing Accounts Receivables

Top Challenge	% of respondents
Scaling for growth	44.4%
Slow manual processes and outdated technology	42.4%
Cash reconciliation errors	35.5%
Lack of skilled resources	34.6%
Credit management	34.0%
No digital payment options	33.3%

Revenue Growth and Invoice Processing		
# of invoices processed monthly in 2021	% of companies expecting 51-60%	Y on Y revenue increase
	2021	2022
100-500	8%	23%
500-1000	11%	17%
1000-5000	9%	21%
5000-10,000	0%	27%

With invoice processing capacity of companies being far below what may be required in 2022, scaling for growth was the most cited challenge in managing accounts receivables.

Companies with smaller AR teams and dependent on manual processes will feel the challenges of scaling for growth. While 56.5% relied on accounting software and another 41.6% used cloud-based automation solutions, a large percentage of finance leaders in the survey admitted they still used spreadsheets to manage AR processes. (42.2%)

Top Technology Automation Plans for 2022

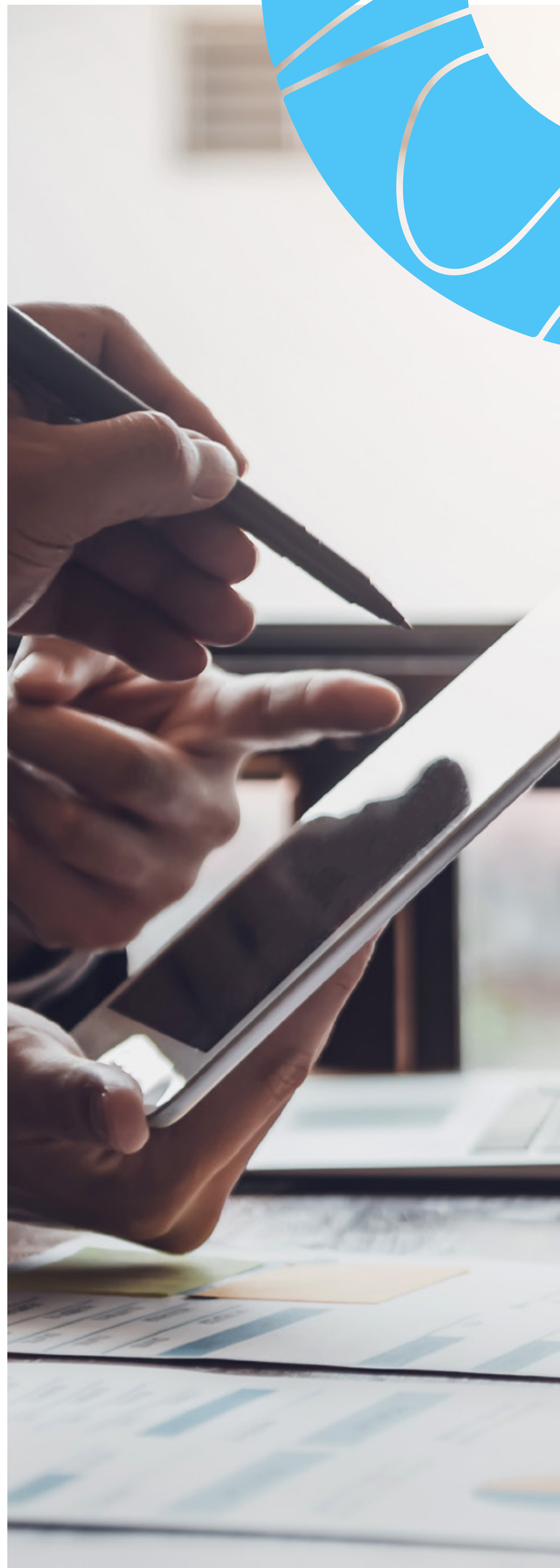
32.7%	32.7%	32.0%	29.4%	27.6%	24.0%
Invoicing	Cash application/ reconciliation	Collections	Credit risk	Deductions/ dispute management	Reporting

However, there is evidence to suggest that the use of spreadsheets in AR will be on the decline in 2022. Our survey shows that roughly one-third of the companies surveyed plan to automate invoicing, cash collections, and reconciliations, followed by 30% who plan to automate credit risk evaluation processes, 28% that would automate deductions and dispute management, and 24% that would be automating reporting.

This verifies a general trend in AR automation expected over the next four years. According to Mordor Intelligence Research, the global accounts receivable automation market was valued at US$ 1,891.60 million in 2020 and is projected to be worth US$ 3,861.21 million by 2026, an increase of over 100%.[4] Over the forecasted period, small and medium sized enterprises are expected to be the predominant buyers of AR automation products.

Technologies Commonly Used for AR Management:

Accounting Software	56.5%
Spreadsheets	42.2%
Cloud-based automation solutions	41.6%
CRM tools	39.6%
Predictive analytics tools	39.6%



Top Benefits of AR Automation

Many companies cite improvements in working capital and increased transparency into cash flows as a result of AR automation, with 44% and 43% respectively indicating these as two of the top benefits. However, over one-third also noted that AR automation would reduce errors, increase AR staff capacity, reduce processing time, and provide them with advanced data analytics capabilities.

Going forward, CFOs expect the technology that will likely have a significant impact on their accounts receivables operations in the next two to three years will be digital payments capabilities (38.3%), advanced data analytics (34.9%), blockchain (31.6%), artificial Intelligence (29.2%), and robotic process automation (28.9%).

Top Benefits of AR automation:

Benefit	% of respondents
Improved working capital management	44.1%
Improved transparency into cash flows	43.4%
Reduced errors	34.9%
Increased AR staff capacity	34.9%
Reduced processing time	34.2%
Data analytics capabilities	34.2%

VII. Conclusion

Finance leaders across the mid-market will aim to balance their core priorities—cost optimization, cash flow, and liquidity and risk management—with the many strategic hats that they don. As a key representative of their business, CFOs will focus on improving customer experiences and sourcing the best talent. And in all that they plan to do, technology will play a key role, as a differentiator as well as an enabler.

Given the several challenges and potential growth opportunities that exist for mid-market organizations, it is clear that finance functions across all industry verticals will turn to AR automation. Not only will AR automation improve the effectiveness of their AR teams and facilitate rapid growth, but will also help attract and retain skilled accounting talent in an environment where accounting skills are in high demand.

The mid-market organizations that continue to rely on spreadsheets to manage AR processes will fall behind their competitors. AR automation technologies can provide much needed insights into cash flow, while offering the type of ease-of-use and customer service their clients have come to expect. For 2022, and beyond, our research demonstrates that AR automation is rapidly becoming a table stakes for CFOs looking to minimize repetitive manual tasks while maximizing the strategic and analytical contributions of their AR teams.

Automating AR processes will also help improve customer experience and overcome cash flow and liquidity challenges. It further helps reduce the risks to business due to non-paying customers. A modern finance function is crucial to building a strong business, and mid-market CFOs seem to have their priorities and goals planned for this.

HighRadius is a Fintech enterprise Software-as-a-Service (SaaS) company that leverages Artificial Intelligence-based Autonomous Systems to help companies automate Accounts Receivable and Treasury processes. The HighRadius® Autonomous Receivables solution reduces cycle times in your order-to-cash process by automating receivables and payments processes across credit, electronic billing and payment processing, cash application, deductions, and collections. HighRadius RadiusOne AR Suite is a complete accounts receivables solution designed for mid-sized businesses to put their order-to-cash on auto-pilot with AI-powered solutions.

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