

REPORT | APRIL 2022

#FloQast

# The State of Play in UK Accounting

Challenges to Achieving Account Operational Excellence



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# Forward

A perfect storm is brewing in the accounting profession. Accounting operational excellence is characterised by the role's shift from number crunchers to operational leaders, driving performance and business strategy.

However, this ideal state has become increasingly difficult to attain for controllers and their teams. This can primarily be attributed to three forces coming together to change the way finance professionals operate in today's organisations:

## Increasing requirements.

Deadlines are tightening and compliance requirements are growing. And with new accounting standards — referred to by many as "U.K. SOX" — on the horizon, finance teams' to-do lists will grow. Deadline pressure is going up — and for accountants, the ramifications of missing deadlines or inaccuracy are all too real.

## People under duress.

The accounting profession is experiencing a brain drain. Fewer students are studying accounting and unhappy accountants are leaving the profession altogether. Throw in the cost of certifications and poor industry perception from job-threatening levels of stress, the accounting profession is under pressure.

## The failed promise of technology.

It's no secret that finance has invested in a plethora of technology over the last five years. But the promise of an improved, more efficient tech stack often goes unrealised, usually because of a focus on point solutions rather than improving workflows. Many companies are still burdened by manual, siloed processes.



A rethink is required if we're to meet companies' people, process, and technology needs. This report explores the situation as it stands — and points to the way forward, suggesting accounting workflow automation software as one means to better achieve accounting operational excellence.

Recently, FloQast embarked on a journey to understand more about the challenges facing finance and accounting leaders in the United Kingdom. Together with Censuswide, 500 finance directors and finance controllers for U.K.-based companies were surveyed. Here are the results.

## CHAPTER 1

# UK Accounting State of Play: Accounting Operational Excellence

# 1

Accounting operational excellence is still an aspiration for many — but it's essential to every part of a business. Defined by the fundamental shift from the tactical to the strategic mindset, accounting operational excellence is what occurs when accounting leaders adapt to new, more urgent expectations to provide added value to the C-suite and their employees. Accounting leaders provide financial insights needed to make decisions at speed and to inform the budgets that enable frontline teams to get their jobs done. While doing so, they also create a more positive, less stressful work environment for accounting staff that are increasingly difficult to replace.

## Accountants Struggle to Deliver

Only a very slim majority of finance professionals currently believe they are delivering accounting operational excellence. Across the five areas they were asked about, a mean score of 40% said they were 'bad', 'very bad', or 'neither good nor bad' at delivering operational excellence. Specifically:

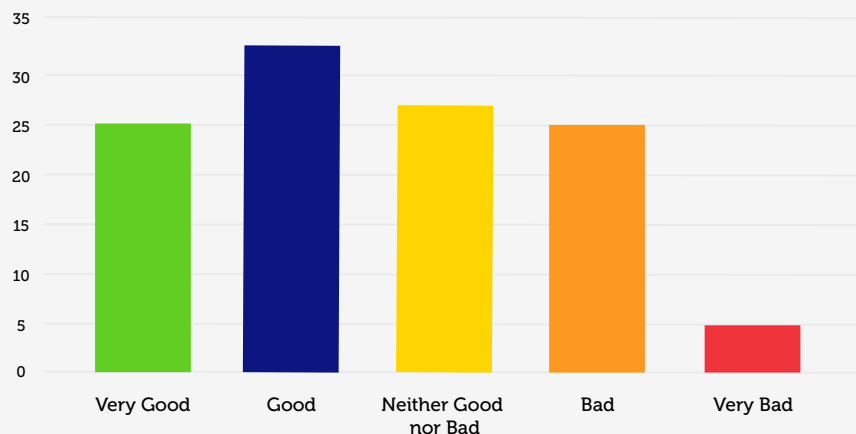
# 41%

Said they were "bad", "very bad", or "neither good nor bad" at meeting tight deadlines

# 39%

Said they were "bad", "very bad", or "neither good nor bad" at automation

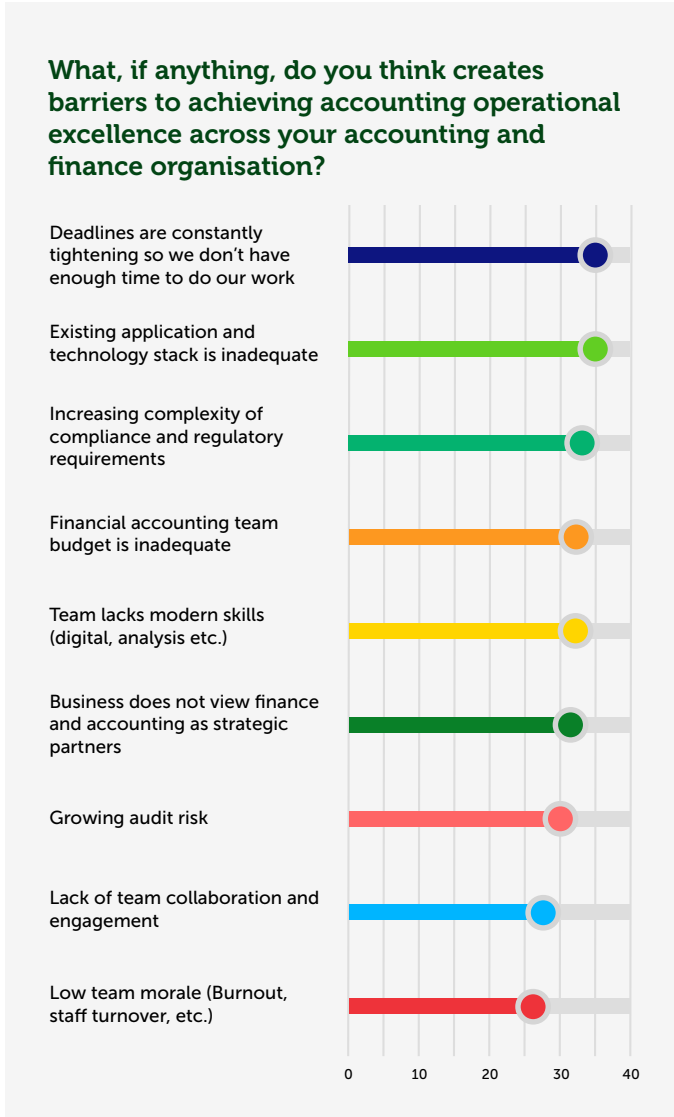
**How well, if at all, do you believe that your accounting team delivers accounting operational excellence for complete transparency?**



# Deadlines and Regulatory Pressures Limit Operational Excellence

Time management continues to be a major problem. 41% of respondents said they were not good at delivering accounting operational excellence due to tight deadlines — which chimes with the fact that 36% saw constantly tightening deadlines as the biggest barrier to practically adopting a more strategic way of operating.

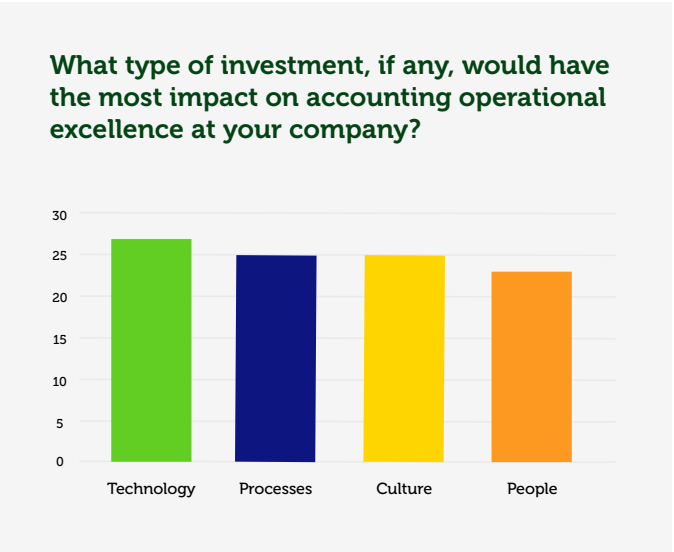
Public companies face strict financial quarterly and annual reporting deadlines, causing finance teams to feel like they don't have enough time to complete all their work.



Increasing complexity of compliance and regulatory requirements creates another hurdle for finance departments to tackle, with a third of respondents identifying this as a barrier to accounting operational excellence.

Interestingly enough, all respondents claimed they experienced at least some barriers to operational excellence, confirming all companies have room for improvement.

The next step: Engaging the resources available to them to help leaders achieve it.



## Automation is a Key to Success

According to respondents, there is no quick fix to these issues, with almost equal weight given to each investment that would improve accounting operational excellence. Investments in people, process, culture, and tech are all required for the 'Great Re-Fix', with automation being key.

## CHAPTER 2

# Transitioning from the Tactical to the Strategic

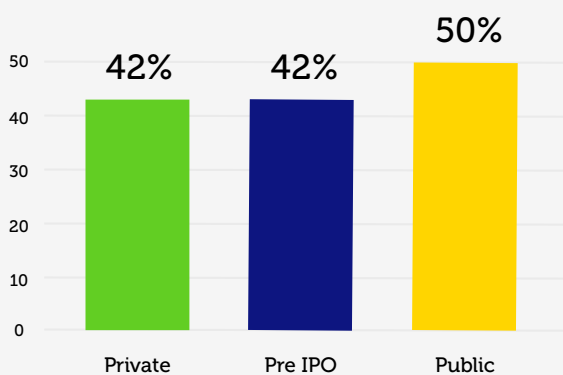
# 2

The industry has long been talking about accountants evolving from number crunchers into more analytical and strategic roles. But at what point does this become less aspiration and more reality?

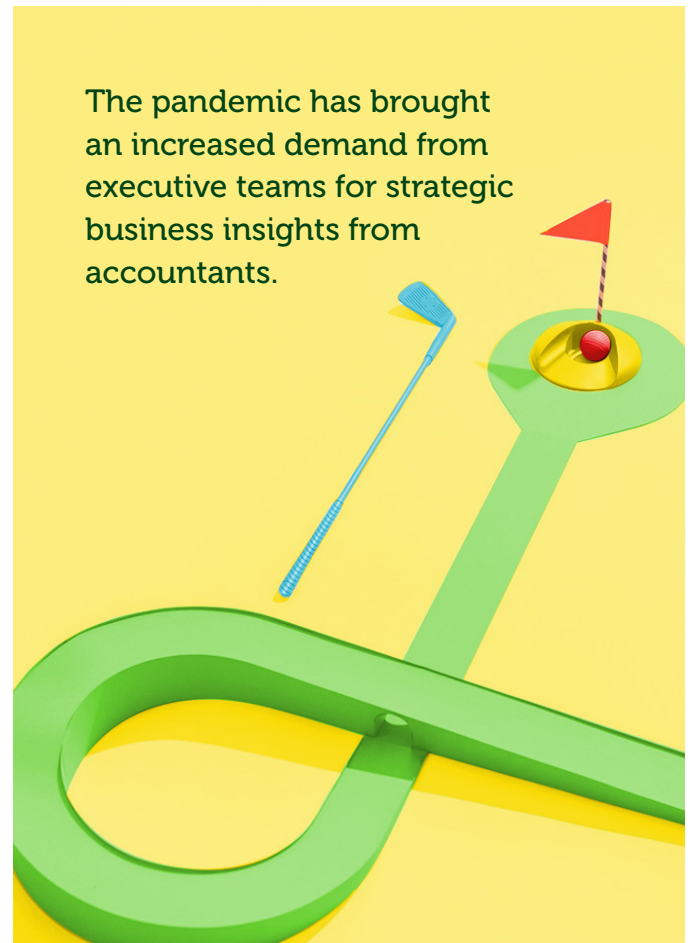
The need for this role shift is certainly real. The pandemic has brought an increased demand from executive teams for strategic business insights from accountants, according to **42%** of those in private companies and **50%** in the public sector.

In line with the impact that a more substantial role in the company's success can have on employee satisfaction, an overwhelming majority (**81%**) of accountants in public companies would like to continue, or increase, their strategic input in the next 2-3 years. Similarly, slightly fewer respondents (**74%**) working for private companies have similar thoughts.

**The Strategic Comparative: COVID-19 has directly impacted finance team's roles**



The pandemic has brought an increased demand from executive teams for strategic business insights from accountants.



## Bad Financial Data is Prevalent

Strategic thinking requires reliable data. Alarming, **one in three** respondents are uncertain or doubtful of the accuracy of their figures — although that proportion drops to **28%** for public companies, perhaps due to increased scrutiny.

Further, **66%** of respondents in public companies have greater confidence in their centralised documentation, speaking to both the importance — and promise — of centralising documentation for enhanced organisation and collaboration.

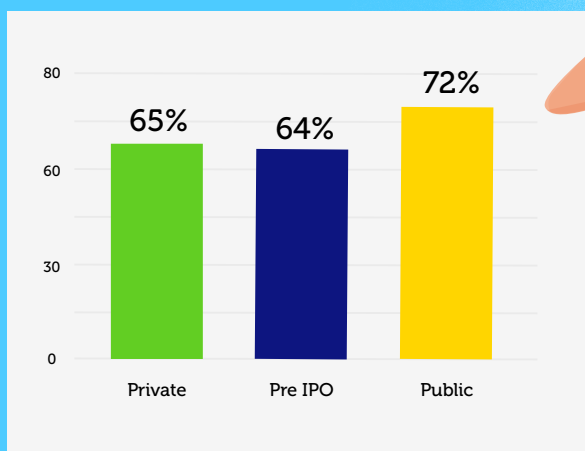
According to respondents, the top sectors that lack confidence in their financial data are:

- Industrial manufacturing
- Automotive
- Real estate

Manufacturing and real estate saw production increases during the pandemic and throughout the recovery exposing the shortfalls in finance processes. When accuracy of financial results is compromised, finance teams need to take a close look at their processes to determine what's going wrong.

As companies grow, accountants are expected to support both financial compliance and analytical insights. But without reliable data, both of these areas will stumble. Establishing the foundation to support the gathering and reporting of consistently accurate analysis should be top of mind for accounting leaders.

### The Strategic Comparative: COVID-19 has directly impacted finance team's roles



## CHAPTER 3

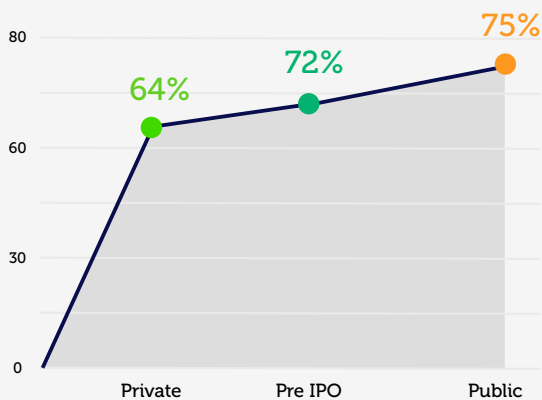
# The Future of Work: Burnout is Real

# 3

In the pursuit of accounting operational excellence and strategic value, stress is a major barrier to progress — and a debilitating drain on staff.

Working together in an office is cited as the most important factor in making month-end less stressful for public companies at **49%**, though that figure falls to **45%** for pre-IPOs and **38%** for private companies. This could indicate that larger teams are less agile and sophisticated when it comes to collaborative tools — or that the processes in-place are too reliant on meeting face-to-face (or in the same location).

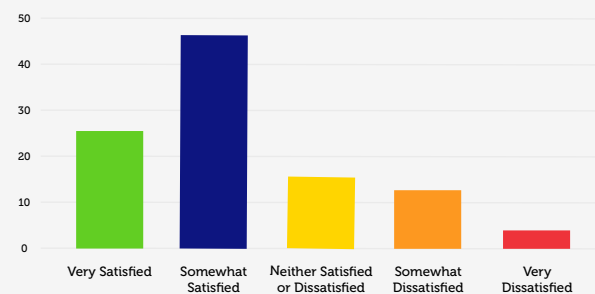
**The journey to IPO sees the close period becoming more stressful:**



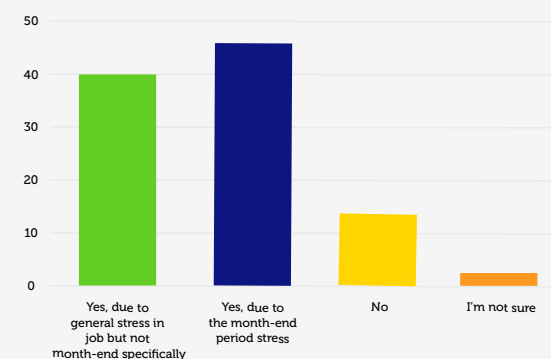
## Accountants Are Satisfied With Their Job — But Still Leave Due to Stress

Although **72%** of finance professionals were willing to cite at least some level of job satisfaction, the reality of job retention figures tell a worrying story. **87%** of respondent organisations have lost staff to stress and burnout.

**How satisfied, if at all, are you in your current role as a finance professional?**



**Have you ever lost staff members due to the stressful nature of the job and burnout (including the month-end period)?**

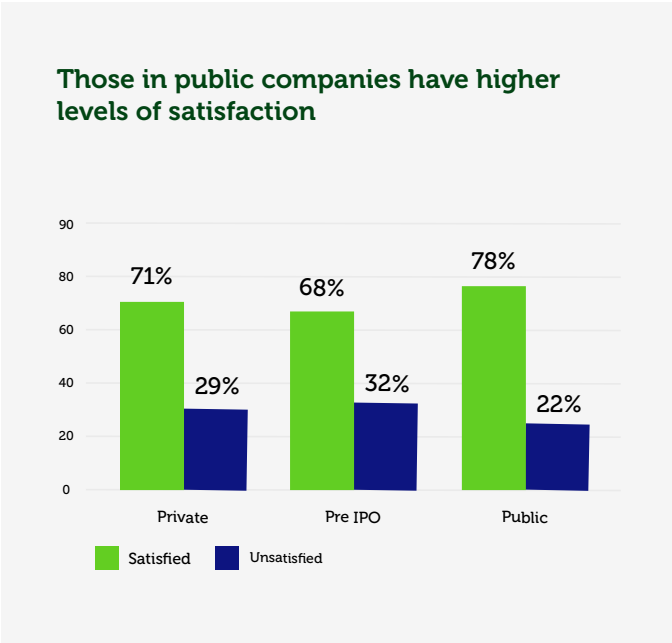




Large-scale industries proved most likely to lose staff due to month-end stress: industrial manufacturing (59%), healthcare (57%); wholesale retail (51%); high-tech manufacturing (50%).

As we mentioned in Chapter 2, most of these industries saw historic growth and demand for their products and services during the last two years. These increases exposed cracks in the system with ineffective technology and manual processes leaving staff to work more. And month-end close continues to be a large stressor for accounting teams with 46% saying they lost staff members due to the stress of month-end. But it's not just monthend stirring up stress. The majority of finance staff (72%) experienced higher stress levels in December, correlating with the push to get ready for year-end close.

Additionally, finance professionals in pre-IPO companies are the least satisfied (32%) with their jobs, compared to those in public companies (22%) and private companies (29%). This suggests the grind to IPO is drowning the finance function.

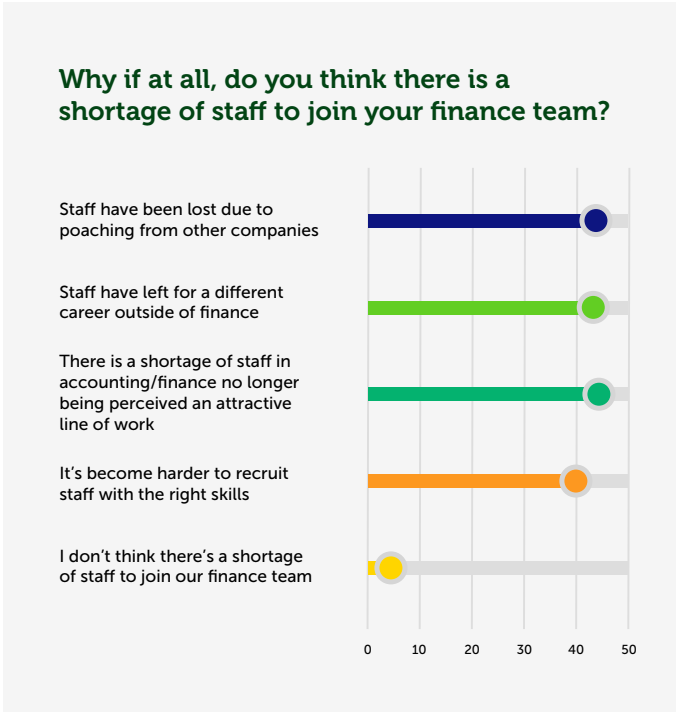


## Burnout is Causing Staffing Issues

The persistent stress discussed above has caused accountants to leave their careers and pursue others outside of accounting, with 45% of staff leaving for a career change.

**Additionally, 44% of respondents believe staffing shortages are due to accounting no longer being perceived as an attractive line of work.**

There can be no doubt that stress in the accounting profession is playing a role now, and will continue to do so in the future. However, when asked why finance staff were in short supply, there was a mixed response – suggesting a lack of understanding amongst those asked and presumably little consensus of how to fix the problem. But reducing stress on staff, especially during month-end close, must be a top priority to combat staff turnover.





## CHAPTER 4

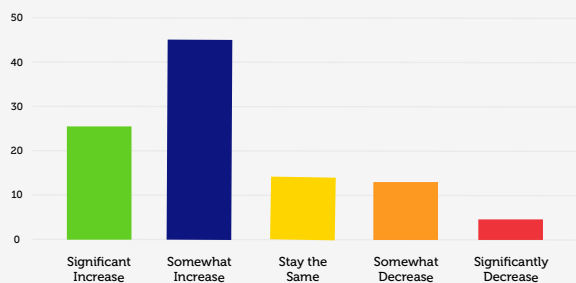
# The Future of Work: The Stress Busters

# 4

**70%** of respondents say that their levels of stress increase during the close. Teams that are mostly or entirely remote from home are most stressed at **(75%)**, indicating some teams are likely running with antiquated systems with poor collaboration functionality. But stress levels drop only minimally for on-site **(69%)** and hybrid **(66%)** teams.

Remote work isn't going away, so these rising stress levels during the close cannot be allowed to stand.

### How, if at all, do your stress levels change during the month-end period?

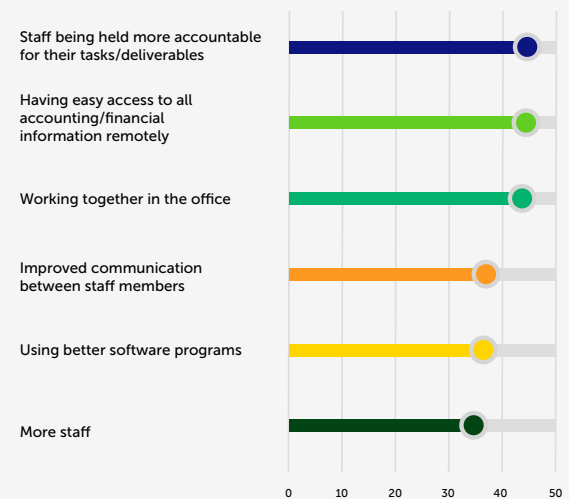


Healthcare pharmaceutical industry accountants are the most stressed at month-end, with **96%** reporting elevated stress levels, with banking **(83%)** and high-tech manufacturing **(78%)** not far behind. The heavy regulatory oversight in healthcare, pharma, and banking is increasing pressure to close quickly.

## Accountability and the Right Technology is Needed to Curb the Exodus

**44%** of financial controllers and finance directors believe month-end stress would reduce if staff were held more accountable for their tasks and deliverables, increasing reliability up and down the chain.

### Which of the following, if any, do you believe would make the month-end less stressful?



User-friendly tech is crucial to creating a less stressful, more sustainable work culture. That assessment is borne out by the fact that **43%** of controllers say that month-end stress would decline with easy access to all accounting data remotely. Improved communication between staff and better software would also help **(39%)**.

# The Future of Work: Change in the Pandemic

5

In any discussion of the future of the accounting profession, the impact of the COVID-19 pandemic must be front and center.

## Finance Leaders More Involved in Tech Decision Making

As expected, nearly all participants (**99.2%**) experienced a change of role as a direct result of the pandemic. Roles have shifted, with those who work in banking experiencing the highest increase (**68%**) in workload within traditional responsibilities.

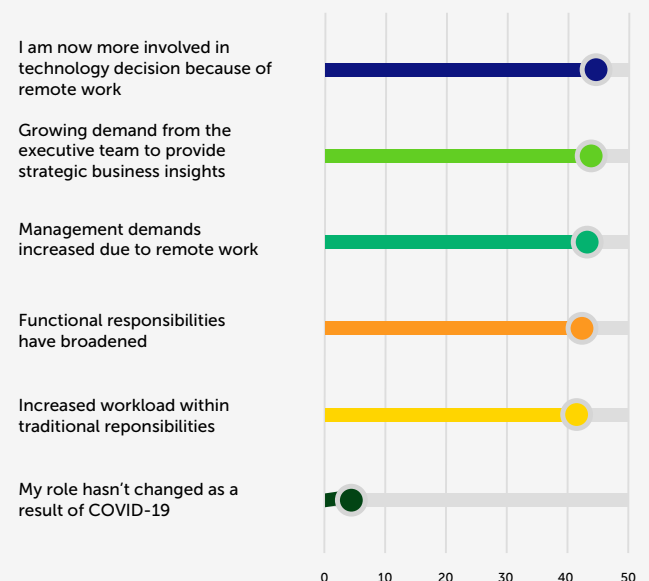
At the same time, those in the finance function are now becoming involved in tech decisions due to the prevalence of remote working — decisions which were previously the exclusive remit of IT teams.

This increased involvement in technology decisions is particularly the case in SMEs (**56%**) — companies with less than 100 employees — and across the energy (**70%**), industrial manufacturing (**54%**), and wholesale distribution (**50%**) industries.

Within the finance function, controllers were the most closely involved with tech decisions, with **49%** stating that as the key change in their role.

Conversely, the highest number of finance directors (**47%**) said that the pandemic had changed their role through growing demand from the executive team to provide strategic business insights. This more strategic role has developed directly in response to the pandemic, and is increasingly in-demand within organisations.

### How, if at all, has your role changed as a direct result of COVID-19?



## CHAPTER 6

# Modernisation Without Disruption: Investment in Technology

# 6

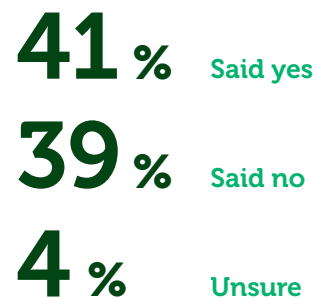
As detailed in Chapter 1, technology investment is one of the key steps to achieving accounting operational excellence. So how much have companies invested in technology and why? And has the pandemic impacted the rate of investment?

### Technology Investment Grew During the Pandemic

Overall, the pandemic drove the modernisation of accounting and finance processes, as organisations looked for survival in the competitive environment.

The remote working boom has caused a major investment lift. More than **60%** of companies have invested in financial software since 2020, and amongst publicly-listed companies the rate was higher, at **68%**. More than half (**52%**) invested between £50,000 and £100,000 in their new financial software.

**Has your organisation invested in new financial software since 2020?**

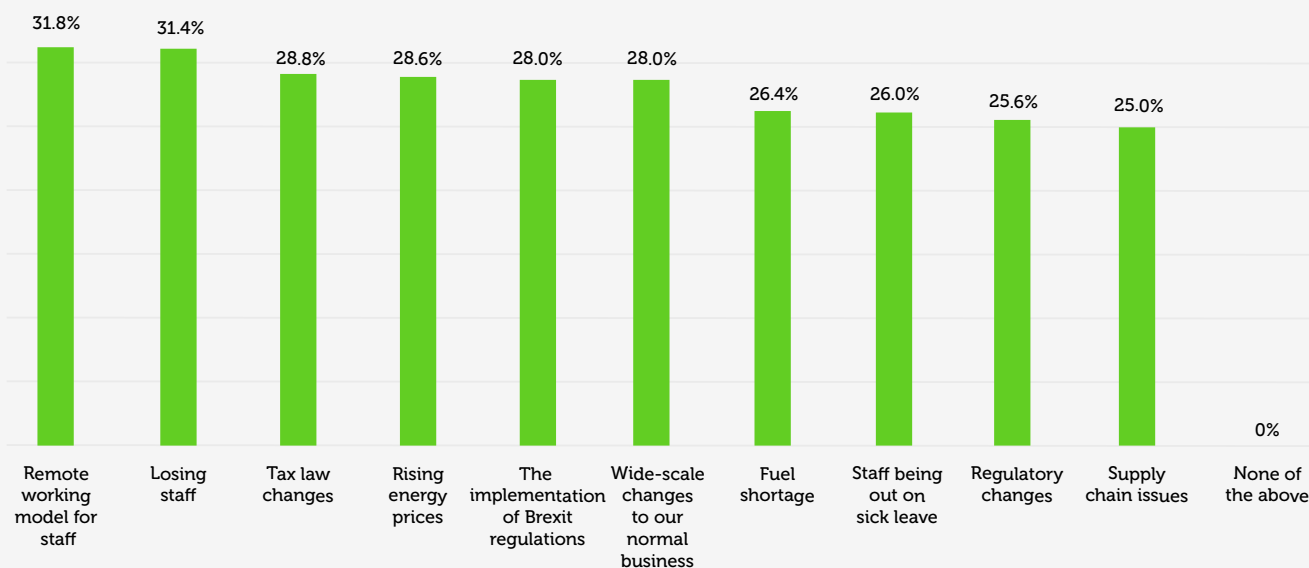


Unsurprisingly, the sectors that invested most were those that grew during the pandemic — healthcare and pharma, (**73%**), consumer electronics (**67%**), tech and software (**65%**), and real estate (**63%**).

However, it's not just the necessity of equipping home workers that's driving investment. Three in ten (**29%**) said tax law changes were having a major impact on the finance function, with a similar number (**28%**) pointing to Brexit implementation.



### External Factors Impacting Finance Function



## The Right Technology Seems Elusive

However, despite high investment, just **61%** of companies said they were “good” or “very good” at delivering automation, which is key to accounting operational excellence. It’s therefore unclear whether the correct type of product is being implemented to support the team in delivering excellence.

## Concluding Insights

Accountants face increasing demands on their time, causing stress and pressure. In addition to financial reporting, they are providing analytical and strategic input for company executives. And while most accountants welcome the shift in duties and responsibilities, it can cause burnout.

But the right processes and technology can help alleviate the strain and bring them closer to accounting operational excellence. Accountants are increasingly involved in financial software selections to improve efficiency with automation.

With the right tools, finance departments can provide strategic insights while maintaining the traditional compliance responsibilities of the company.

## Accounting workflow automation software like FloQast can help.

From team collaboration to automatic reconciliations, FloQast saves accountants time and can unlock a happier workforce.

## About the Research

This report summarises the results of independent opinion research commissioned by FloQast and carried out by Censuswide. The online research surveyed 500 finance directors and finance controllers in U.K.-based companies. The research was completed in December 2021. Respondents were from both the public and private sector and included finance professionals from a range of industries, including finance, retail, technology, manufacturing and construction.

# #FloQast

## About FloQast

FloQast delivers workflow automation software enabling organizations to operationalize accounting excellence. Trusted by more than 2,000 accounting teams—including Twilio, Coinbase, Los Angeles Lakers, Zoom, and Snowflake—FloQast was built by accountants, for accountants to enhance the way accounting teams work. FloQast enables customers to streamline processes such as automated reconciliations, documentation requests, and other workflows that impact the month-end close, financial reporting, and payroll, and is consistently rated #1 across all user review sites. Learn more at [FloQast.com](https://www.floqast.com).



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