PwC Baltic CFO survey

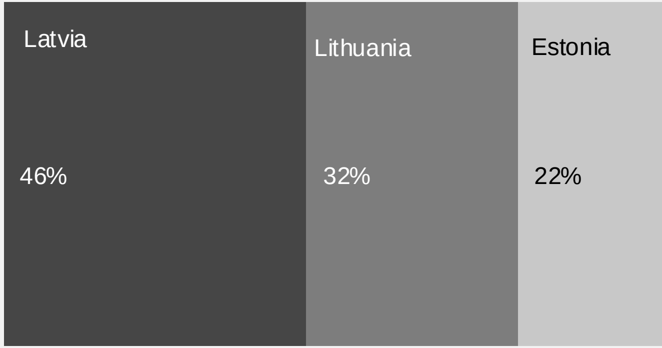
Results of the Baltic CFO Survey

November 2024

Information on survey

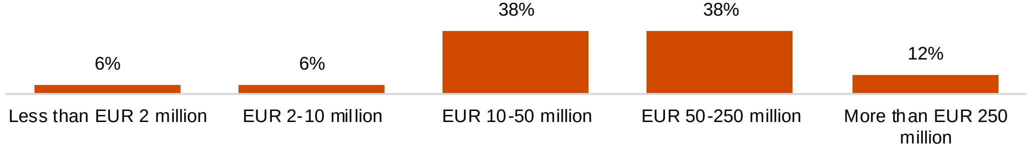
"The survey of Baltic finance leaders was conducted online from September 16, 2024, to October 11, 2024. Top finance executives from Latvia, Lithuania, and Estonia participated in this survey.

Responders by country

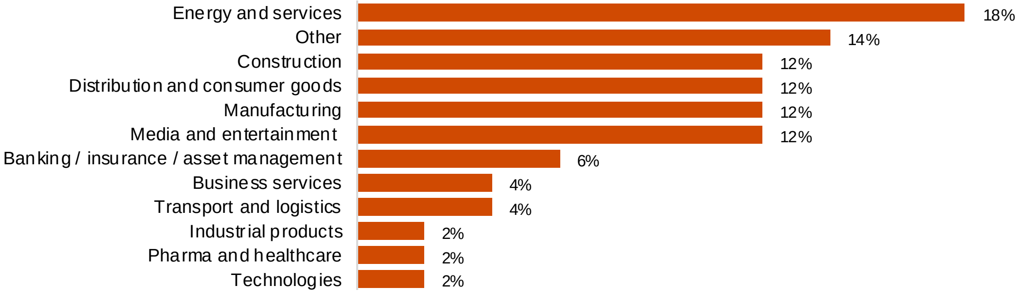


Information about survey participants in the Baltics

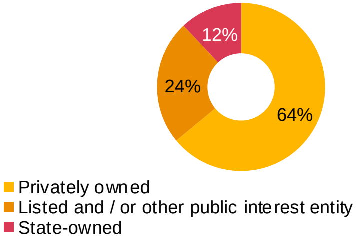
Revenue



Respondent industry



Organisation type



Notes

The percentage differences reflected in this report are formed using rounded percentages.

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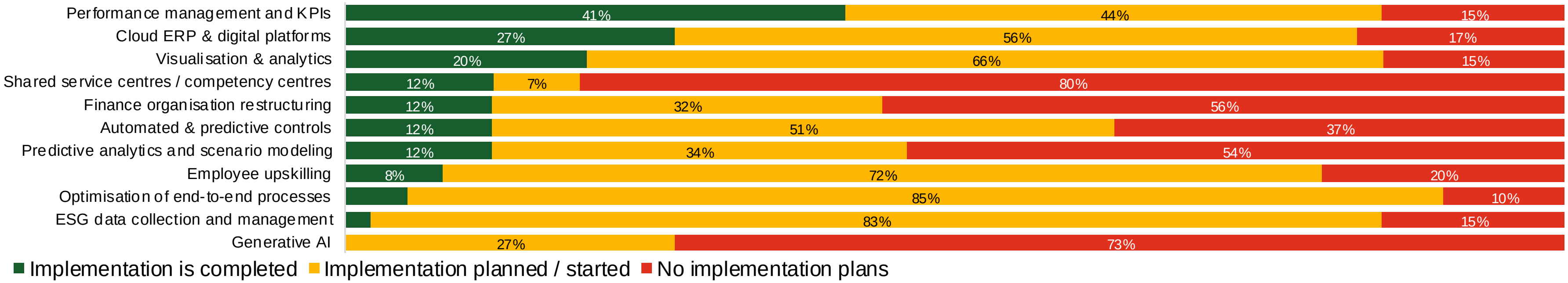
Results of the Baltic CFO Survey 2024

Finance processes

Q. Please determine the progress of implementation of the following initiatives/activities within your area of responsibility.

Progress of Implementation for Key Initiatives / Activities in Entities



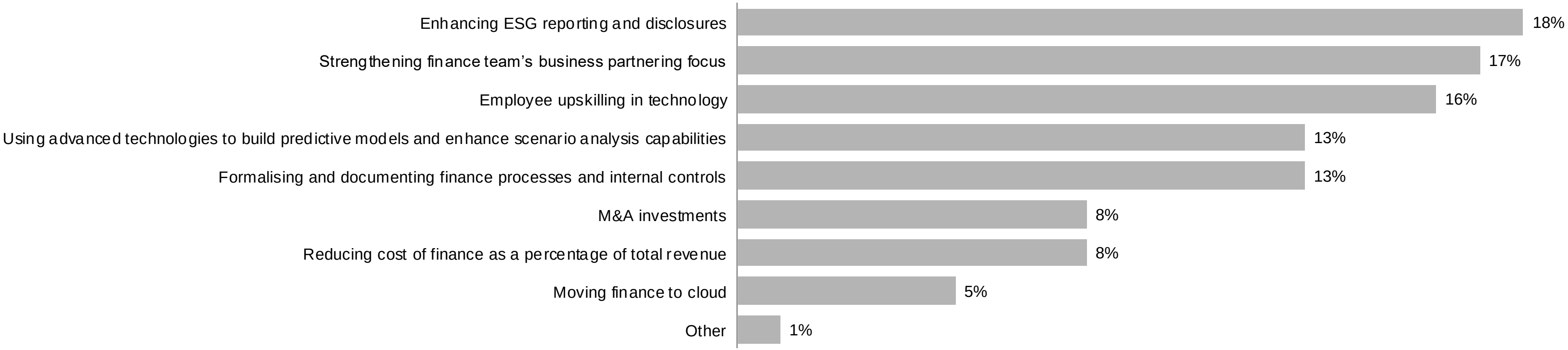
The highest level of completed implementation is seen in Performance Management and KPI (41% implemented and another 44% started/planned) followed by the Cloud ERP & digital platforms and visualisation & analytics indicating a focus on modernizing IT infrastructure and control mechanisms. Interestingly, employee upskilling is completed only in 8% of organizations and in 72% cases it is planned or already started suggesting that employee upskilling is also high on CFO agenda.

Several other initiatives have implementation started or planned, such as Optimisation of end-to-end processes at 85% which reflects its critical role in improving operational efficiency, driven by the need for competitive advantage and mature technologies. ESG data collection and management shows 83% of planned or started implementations, influenced by regulatory demands and the growing importance of sustainability. Meanwhile, Generative AI has 73% of organizations with no implementation plans, likely due to its early stage, high costs, and uncertainty about its practical applications.

Overall, the insights suggest that CFOs should balance immediate operational improvements with strategic investments in sustainability and emerging technologies, while also focusing on building a skilled workforce.

Q. What are your priorities for the finance function for the next 12 months?

Priorities for the finance function for the next 12 months

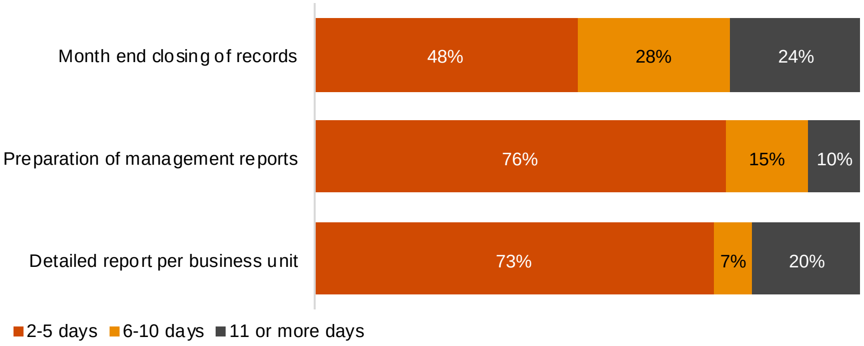


The finance function priorities for the next 12 months include a diverse range of strategic initiatives identified by CFOs. At the forefront, with 18% of the focus, is enhancing ESG (Environmental, Social, and Governance) reporting and disclosures. Following closely, 17% of the emphasis is onstrengthening the finance team's business partnering focus to better align with broader business objectives. Additionally, 16% of the priority is dedicated toupskilling employees in technology to ensure the finance team remains adept and competitive in a rapidly evolving digital landscape.

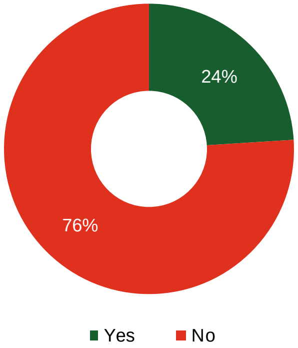
On the other end of the spectrum, certain areas are receiving comparatively less attention. Moving finance operations to the cloud is at the bottom of the priority list, with only 5% of the focus, possibly indicating some companies have made the move. Similarly, only 8% of CFOs prioritise reducing the cost of finance as a percentage of total revenue and investments in mergers and acquisitions (M&A).

Q. How many business days does it take to perform the following?

Business Days Required to Complete Reporting Tasks

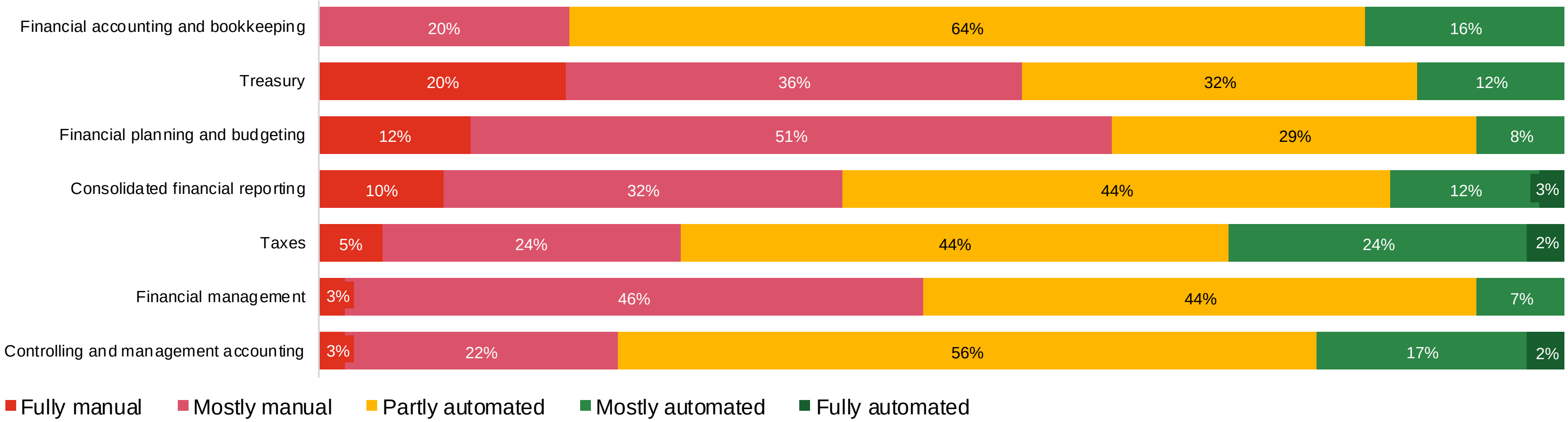


Targets set to decrease the time spent by finance on aforementioned tasks



Responses outlines the efficiency and timelines for various business reporting tasks. It highlights the completion percentages for month-end closing of records, detailed reports per business unit, and preparation of management reports. Specifically, 48% of month-end closings are completed within 2-5 days, 28% within 6-10 days, and 24% take 11 or more days. The survey results indicate that a significant majority of organizations (76%) do not currently have targets set to decrease the time spent by finance on tasks such as month-end closing of records, detailed reports per business unit, and preparation of management reports. This lack of targeted efforts to reduce time spent on these tasks suggests that many organizations may not be actively seeking to optimizetheir financial reporting processes. Given the importance of timely and efficient reporting for strategic decision-making, this represents a potential area for improvement. Organizations could benefit from setting specific targets and implementing strategies to streamline these processes, thereby enhancing overall efficiencyand effectiveness in financial management.

Q. Proportion of automated tasks in each finance unit

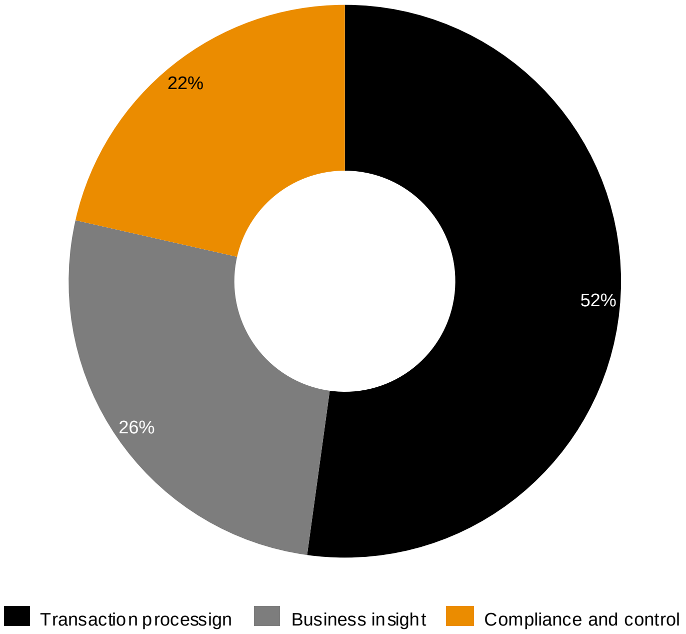


Received answers highlight significant differences in automation levels across finance units. Financial accounting and bookkeeping are predominantly automated, with 64% of the processes being partly automated and 16% mostly automated. The results also show Controlling and management accounting and Taxes units leaning towards automation approach to managing these functions.

The survey reveals a significant opportunity for automation adoption in Financial planning and budgeting: 63% (12% fully manual and 51% mostly manual) still rely heavily on manual processes which likely consumes valuable time and resources that could be redirected towards more strategicinitiatives by embracing automation. Automating manual tasks within Treasury (currently at 20% fully manual and 37% mostly manual) could be considereda high priority.

Q. Percentage of finance function resource time allocation

Percentage of Finance Function Resource Time Allocation

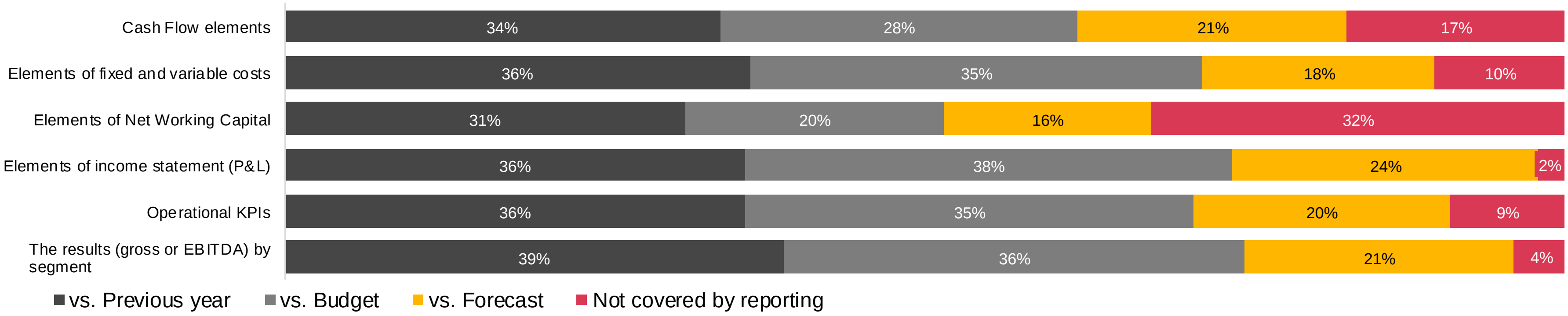


Based on results from the diagram, the allocation of finance function resource time is divided into three main categories: transaction processing, business insight, and compliance and control. Transaction processing accounts for 52% of the resource time, reflecting its fundamental role in ensuring smooth and accurate business operations and also possible opportunities for further automation. Business insight follows with 26%, highlighting the importance of analyzing transaction data to drive strategic decision-making. Compliance and control take up 21% of the time, underscoring the necessity of maintaining stringent oversight to ensure accuracy and adherence to regulations.

In conclusion, the results demonstrate finance function being in the transitionary stage of the finance transformation, with the increased focus on business partnership. To drive the transformation further, the finance teams should continue automating transaction processing to free up even more time for value-added activities like deeper business insights and strategic planning, ultimately leading to better decision-making and potentially higher profits.

Q. What data is covered by monthly management reporting?

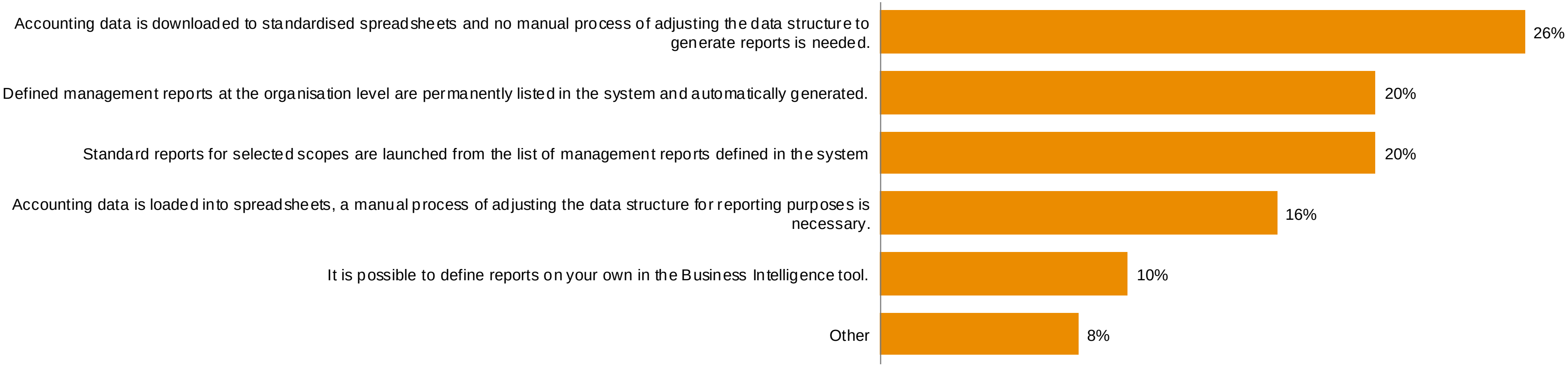
Data covered in Monthly Management Reporting



Monthly management reporting includes a range of data points, such as cash flow, fixed and variable costs, net working capital, elements of income statement and operational KPIs. These reports compare current figures against previous years, budgets, and forecasts to help management track performance trends and make informed decisions. Most respondents are analysing the elements of income statement with only 2% not having them covered in reporting. The results analysis by segment (4% not covered by reporting) and operational KPIs (9% not covered by reporting) also seem to be at the focus of management reporting and analysis. On the other hand, cash flow elements and elements of net working capital appear to be the least covered in reporting (17% and 32% respectively). The lack of reporting on cash flow elements could hinder effective liquidity management and increase financial risks, while the low coverage of networking capital suggests potential inefficiencies in managing short-term assets and liabilities, impacting operational efficiency.

Q. Characterisation of the reconciliation process between financial and management data for the purpose of management reports' preparation

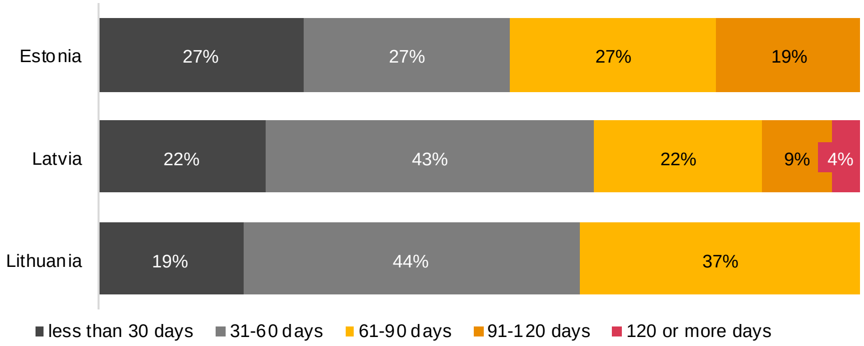
Characterisation of the Reconciliation Process Between Financial and Management Data for Management Reports



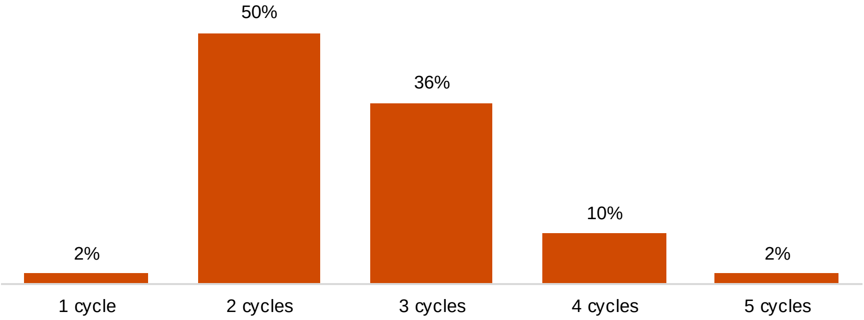
The reconciliation process between financial and management accounting ensures accuracy and consistency in reporting throughseveral key steps. Standardized spreadsheets and automated report generation (26%) streamline the process and reduce errors. 20% of respondents have defined management reports permanently listed in the system for automatic generation, ensuring up-to-date information and automated generation. Standard reports for selected scopes can be quickly accessed from a predefined list, while a Business Intelligence (BI) tool allows users to create customized reports. Despite the automation, some manual adjustments are necessary, highlighting the need for skilled personnel. A small percentage of organizations use additional methods, reflecting diverse approaches to financial reporting.

Q. How long does the annual budget planning process take? Number of cycles performed for budgeting.

Duration of the Annual Budget Planning Process



The number of cycles you perform for budgeting

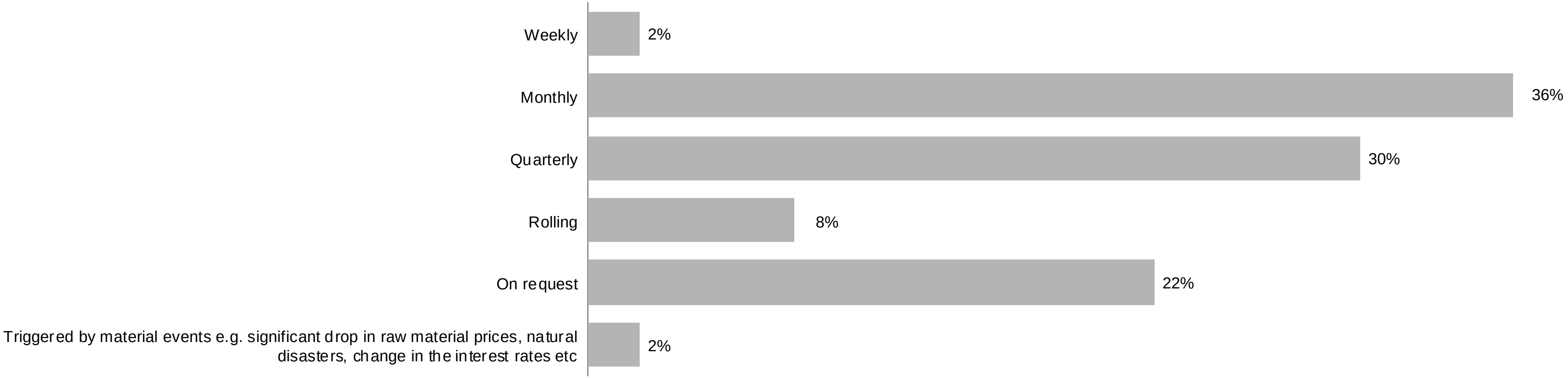


The annual budget planning process varies significantly across Estonia, Latvia, and Lithuania. Estonia completes a notable portion of its process in less than 30 days, indicating a streamlined and efficient approach. Lithuania's process is more distributed, with a significant percentage taking 31-90 days, suggesting a moderate pace that allows for thorough analysis. Latvia's process is the most prolonged, in some cases taking 91 days or more, reflecting a meticulous and detailed approach. These differences highlight the unique administrative practices and priorities of each country, with Estonia focusing on efficiency, Lithuania balancing thoroughness and speed, and Latvia emphasizing detailed scrutiny.

The majority of respondents perform 2 budgeting cycles, as indicated by half of respondents. A significant portion, 36%, perform 3 budgeting cycles. A smaller group, 10%, perform 4 budgeting cycles. This data suggests that most organizations or individuals prefer to conduct either 2 or 3 budgeting cycles, with 2 cycles being the most common.

Q. What is the primary frequency of forecast preparation?

Frequency of forecast preparation



The majority of CFOs prepare forecasts on a monthly basis, with 36% of respondents indicating this frequency. This is followed by quarterly forecasts, which account for 30% of the responses. A significant portion, 22%, prepare forecasts on request. Less common methods include rolling forecasts (8%), and those triggered by material events or prepared weekly (both at 2%).

These results suggest that while monthly and quarterly forecasts are the most prevalent, there is also a notable reliance on ad-hoc or on-request forecasting, indicating a need for flexibility in financial planning and responsiveness to changing conditions.

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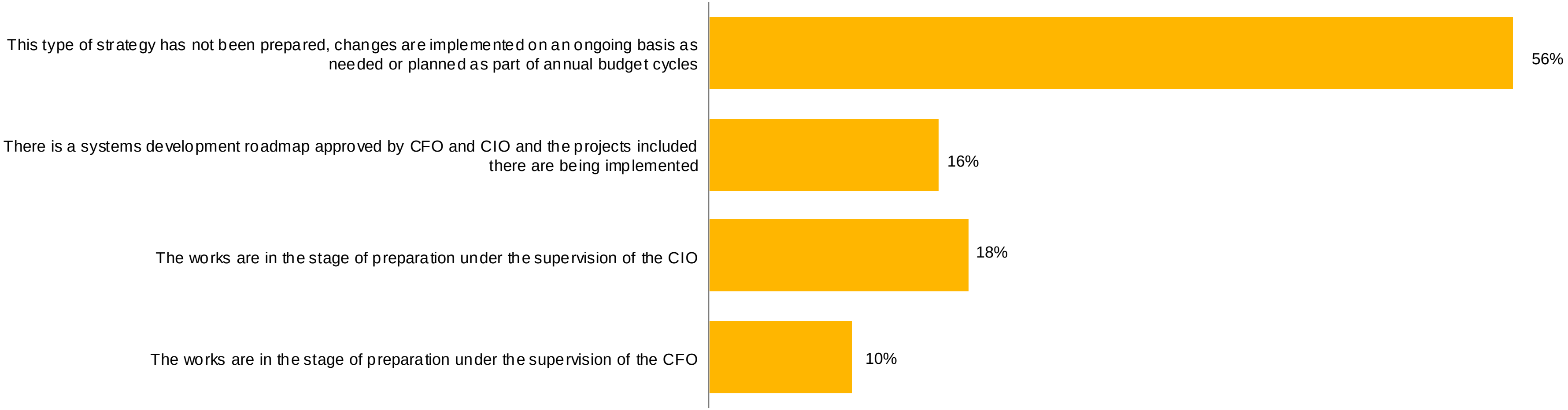
Technology

Q. What is the level of preparation of long-term IT strategy within the finance function?

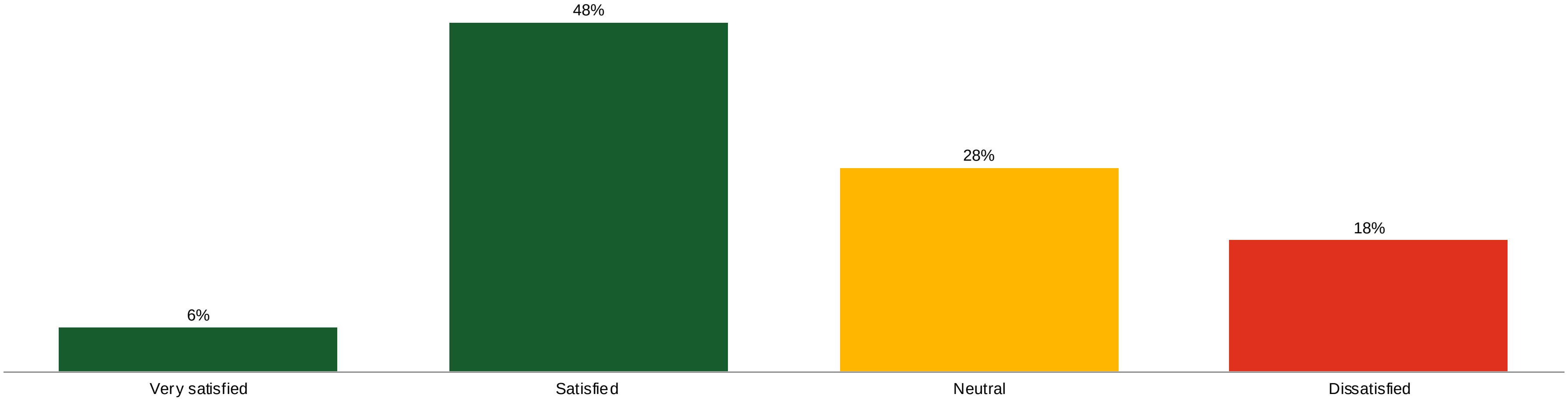
Level of Preparation for Long-Term IT Strategy in the Finance Function



Based on results we conclude that 56% of organizations have not prepared any form of long-term IT strategy, indicating a reactive approach towards integrating advanced IT systems. Another 18% and 10% are in the stage of strategy preparation under the supervision of the CIO and CFO, suggesting they are in early stages of implementing sophisticated IT solutions. 16% have a systems development roadmap already approved by CFO and CIO and the projects included there are being implemented. This disparity highlights the varying levels of preparedness and underscores the importance of strategic IT planing in the finance sector.

Q. How satisfied are you with the current information systems across all finance function units?

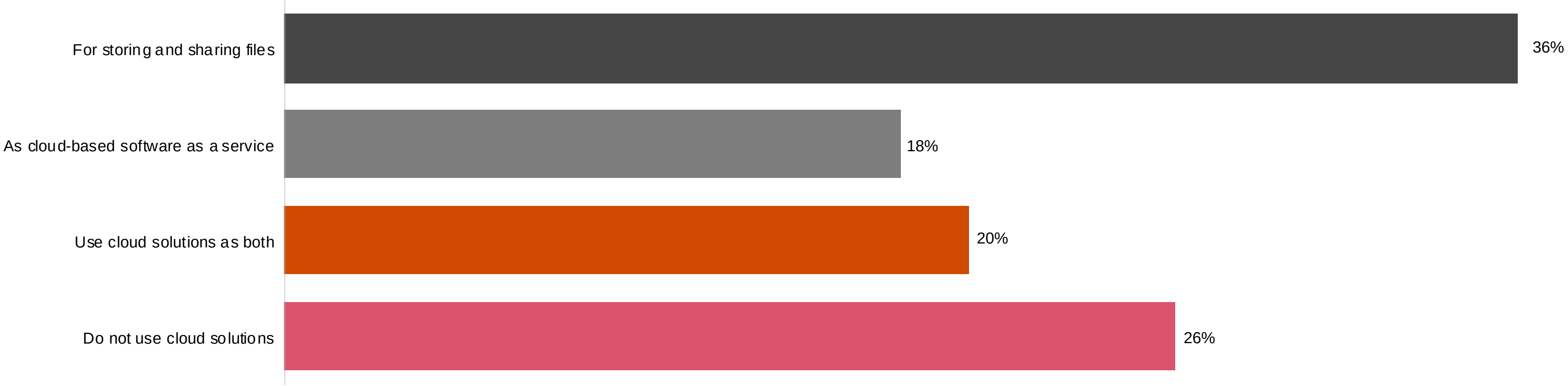
Satisfaction with current information systems across all finance function units



Response covers satisfaction levels across all finance function units with their current information systems. The survey results show that 48% of respondents feel satisfied about their systems. Meanwhile, 28% are neutral, implying that while the systems are functional, they do not particularly impress or disappoint the users. 18% of respondents are dissatisfied, highlighting areas where the systems may be falling short, such as usability issues or lack of features, suggesting a need for enhancements to better align with user expectations. Only a small group, 6%, feel very satisfied with their current information systems.

Q. To what extent has the finance function implemented the use of cloud solutions?

Extend of Cloud Solutions Implementations in the Finance Function



Answers reveals varying levels of cloud solution implementation within the finance function. A significant portion, 36%, usescloud solutions primarily for storing and sharing files, indicating a strong reliance on cloud technology for document management. Despite this, 26% of finance functions do not use cloud solutions at all, possibly due to concerns over data security, regulatory compliance, or migration costs. Another 20% utilize cloud solutions both for file storage and as software as a service (SaaS), reflecting a more integrated approach to cloud technology. Finally, 18% exclusively use cloud-based SaaS, prioritizing specialized financial applications for their scalability, flexibility, and cost-effectiveness.

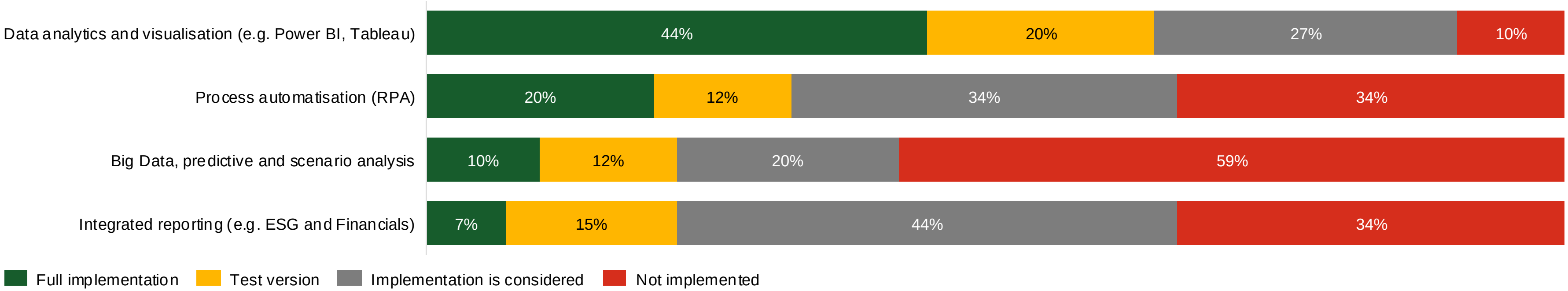
Q. To what extent are the solutions used by the finance function integrated with each other?

Integration Level of Solutions Used by the Finance Function

The finance function within organizations shows varying levels of integration in their solutions, with 36% fully integrated, enhancing efficiency and accuracy. However, 56% operate with partially integrated solutions, facing challenges like budget constraints, legacy systems, and the high costs of integration. A smaller segment, 8%, uses non-integrated solutions, leading to inefficiencies and errors. Additional comments from respondents highlight barriers such as the limitations of main finance software like SAP, lack of resources, and the complexity of programming required for integration. Some responders also noted that the benefits of integration do not always justify the costs, leading to a preference for manual processes or partial integration. Security concerns, the time-consuming nature of integration projects, and the lack of priority and support from end-users further complicate efforts. Overall, the data underscores the importance of integrated systems and strategic planning to overcome these barriers and enhance financial operations.

Q. To what extent have the following solutions been implemented within your area of responsibility?

Implementation Extend of Technological Solutions in Entities

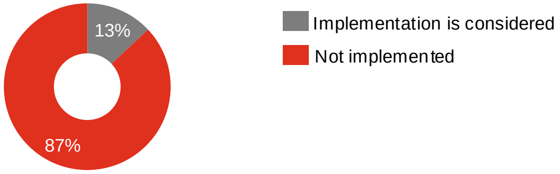


Responses show varied levels of technological solution implementation, with data analytics and visualization being the most widely adopted at 44% full implementation. Process automation through RPA has a balanced distribution, with 20% fully implemented, 12% in test version and 34% considering implementation. Big Data, predictive, and scenario analysis are less common, with only 10% full adoption and 59% not implemented. Integrated reporting, including ESG and financial reporting, has the lowest full implementation at 7%, with 15% in test version and 44% considering implementation. Overall, data analytics and visualization lead in adoption, while process automation, integrated reporting, and advanced analytics present significant growth opportunities. Based on comments received from the respondents they see opportunities for improvement in technology within the finance function of integrating various systems to eliminate manual tasks, leveraging AI and ML for better forecasting and fraud detection, and standardizing processes across group companies. Moving towards digitalization and cloud solutions, enhancing reporting tools, and ensuring user-friendly systems are also crucial steps. The focus is on improving efficiency, accuracy, and strategic decision-making through advanced technologies and digital capabilities.

Q. To what extent has Generative AI been implemented within your area of responsibility?

Extent of Generative AI Implementation in Entities – Baltics

Extent of Generative AI Implementation in Entities – Latvia



Extent of Generative AI Implementation in Entities – Estonia

Extent of Generative AI Implementation in Entities – Lithuania

Based on the received responses, 80% of respondents have not yet implemented Generative AI, with only 2% achieving full implementation. Analysis by countries shows that level of implementation in Latvia and Estonia is very similar, while respondents from Lithuania are in front of others as several companies have already fully implemented AI solutions. The additional responses indicate that while there is interest in AI applications like Chat GPT for internal policies and GPT text support, these are mostly in the consideration or testing phases. The use of AI for forecasting and budgeting suggests a growing interest in strategic financial planning. In conclusion, there is a growing acceptance and integration of generative AI technology in the near future, as the majority of entities recognize its potential to drive innovation and efficiency. However, some hesitate due to the budget constraints, lack of expertise, risks, and might prefer to wait and observe the outcomes and best practices from early adopters before committing to implementation themselves.

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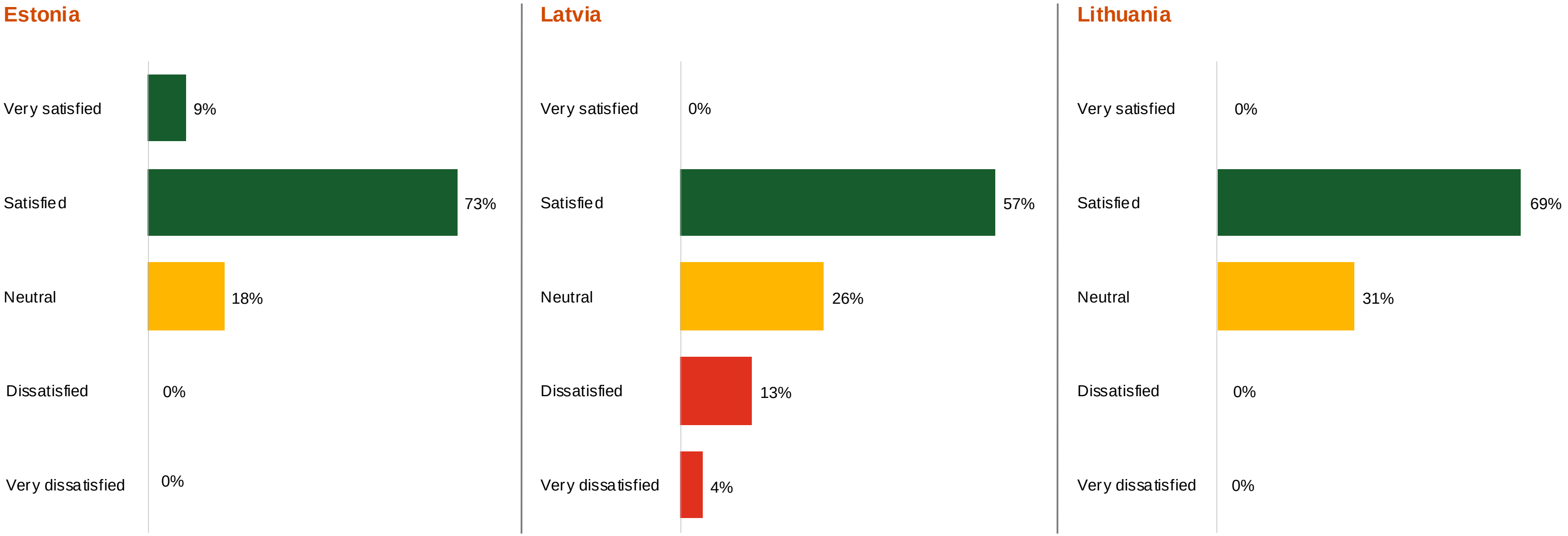
Other

Q. How do you currently assess the overall capabilities of employees in the finance function of organisation?

Assessment of Overall Capabilities of Employees in the Finance Function



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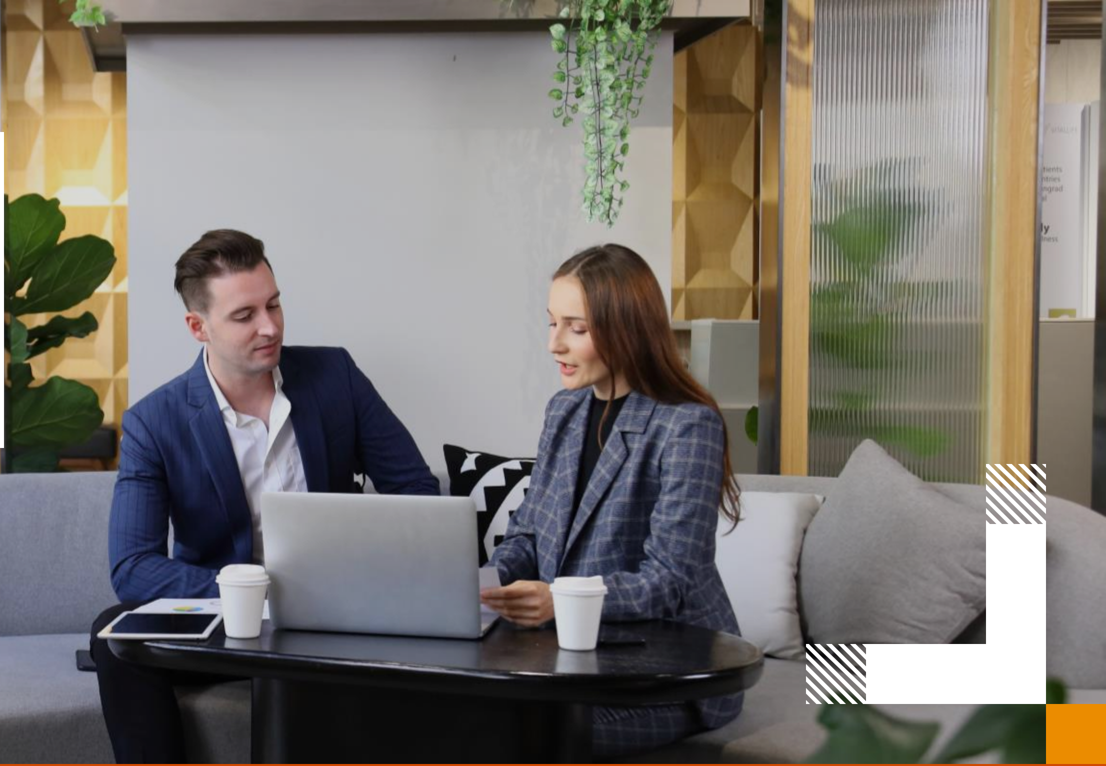

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