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Summit 2015

How are digital and technology advances changing the landscape for the CFO?



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How are digital and technology advances changing the landscape for the CFO?



Digital isn't just a question for technology leaders as it is becoming an increasingly central part of our personal and professional lives. Digital isn't just transforming how businesses create value, but how value is defined. The challenges for you as a CFO not only include how to make sense of the disruption, but how to drive value from digital and improve business decision making by optimising the use of data in your organisation.

At our 2015 Finance Leaders' Summit in London, more than a hundred global finance leaders shared insights and debated the impact of digital on the finance function. Here is a summary of what was discussed at the summit.

Swept up or swept aside Is your business equipped for disruption?



“Disruption is happening with or without us,” said a participant at our 2015 Finance Leaders' Summit. The question is no longer whether to respond, but how and how quickly. “The biggest risk is doing nothing,” reflected another participant.

However in reaction...

Digital allows businesses to get closer to customers, understand their needs better and develop more responsive solutions. Advances in analytics mean that companies can not only anticipate what will happen (predictive analytics), but also shape the outcomes the business wants. Constantly learning and adapting artificial intelligence not only allows businesses to operate at increased speed and lower costs, but also make sense of data volumes that are beginning to defy human comprehension.

Yet businesses also have to compete in marketplaces where innovations soon become expectations, customers can compare and switch in an instant and even market leaders run the risk of being side-lined by new entrants and new business models. The need for constant

competitive regeneration is highlighted by the ever shrinking life expectancy of major corporations. The shift in market value from property and plant to ideas and relationships is characterised by the rise of businesses such as Uber and Airbnb. Despite being among the world's most highly capitalised transport and hotel enterprises respectively, these companies hold little in the way of physical assets.

“Digital is everywhere; above the glass, on the glass and below the glass. It's about redefining the business model and driving the right conversations (above the glass), using a multitude of devices (on the glass) and simplifying underlying systems (below the glass), empowering people and enabling deep organisational change.”

Matthew Tod
PwC digital keynote speaker

Forward-thinking businesses are responding to disruption by embedding innovation into everything they do. They're creating an organisation that is as agile as the new challenger. They're able to move quickly, learn from mistakes and innovate to meet the next challenge. Products become platforms for services as the 'Internet of Things' draws in data and accelerates the move to maintenance and pay-as-you-use models. In turn, data is the currency of value, enabling businesses to shape outcomes, price dynamically and procure and mobilise resources in the most efficient and cost effective way.

What is the CFO's key role within this rapidly evolving marketplace? How can finance remain relevant when only a small fraction of business value is reflected in the balance sheet and incremental budgeting and forecasting are giving way to the need to continually challenge and change entire business models?

In many ways finance's objectivity and analytical skills are more important than ever, helping business leaders to understand what the digital developments mean for their

organisations and determine the strategies and capabilities needed to respond. Yet as analytical tools become cheaper and easier to use and are deployed across the organisation with self-serve capability, f

lity and incisiveness of its advice. "If finance isn't able to fulfil the role of data interpreter and organisational influencer, someone else will step in," said a participant.

For many finance teams, this requires new ways of working and new perspective on how they see the world within which the organisation operates. "We need to look beyond digital as a cost play to see it as an engine of insight," said David Doyle, PwC's Digital Finance Leader. "The past is certain and the numbers stack up," said another participant. "But as the focus of our analytics moves from what's happened to what's coming, we need to accept that our measurement is going to be less certain and precise."

The continuing challenge is how to maximise the value of the internal and external data the business holds, much of which is not exploited to its full potential today. Traditionally, finance teams have had data that they can turn into information because they could reconcile it through accounting controls. External data is less structured and requires the finance professionals of the future to 'let go' and accept that 90% accuracy will inform a decision much better than not using unstructured external data at all.

“Digital is driving business insight. Ownership of that insight is vital and finance has a key role to play; we need to develop people who have a deep insight into the business and know how to derive value for the business.”

Brian Furness
PwC Finance Consulting
Leader

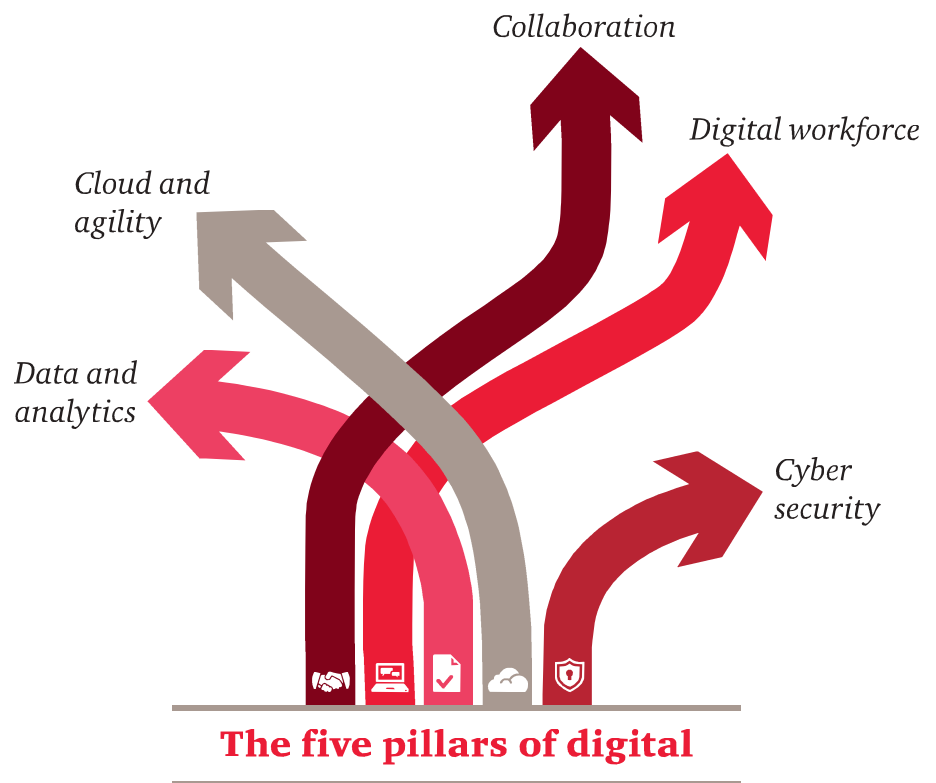


Foundations for success

Mastering the digital challenge

The summit explored the practicalities of realising the digital potential around the **five pillars** of data and analytics, cloud and agility, collaboration, the digital workforce and cyber security.

What do these new demands mean for how finance functions operate and what skills, systems and behaviours do they need to apply?



Data and analytics

Data and analytics is not a new concept, however, data sets, tools and processing speeds are now more advanced – providing finance with the opportunity to drive more insight faster. The data landscape has now changed allowing finance to ask questions with unstructured data sets. Finance now needs to determine what the right questions are to drive business strategy and promote the ‘art of the possible’.

Rather than replacing humans with machines, decision making will continue to be a combination of human intuition and analytics – ‘guts and gigabytes’. But in many markets there is still considerable potential for greater use of analytics, for example, the UK. In a global PwC survey, we found that only 23% of UK executives placed most reliance on data and analytics when making their last big decision, compared to 41% who trusted to their intuition and experience.¹

Scattered analytical operations are likely to give way to more specialised centres of excellence, with the key focus on what winning strategies and performance look like and how to shape the desired outcomes. The traditional view of the finance professional is someone who is prudent and focused on accuracy. Although this is still important, we’ll need to display more creativity, innovative thinking and the ability to work with a mix of stakeholders internally and externally.



¹ ‘Guts and gigabytes: Capitalising on the art and science in decision making’, a joint study by PwC and the Economist Intelligence Unit, 2014

Should finance be the custodian of the data and lead analyst of enterprise-wide rather than just financial data? In a poll of participants, the vast majority agreed that finance is the 'core home' for data and analytics within their organisation. For others, however, the key question is not who owns the data, but how to collate, validate and link it to the big picture.

“With all the data we have available, finance needs to be asking the right questions and to do this we need diverse teams with different skills sets to spark creativity and debate, not just an army of accountants.”

Brian Furness
PwC Finance Consulting Leader

Cloud and agility

Traditionally cloud and software-as-a-service (SaaS) solutions were perceived to be reserved only for young, start-up enterprises, but summit discussions showed this is no longer the case. In a poll of participants, 75% said that they had either switched finance to the cloud already, or plan to do so within the next three years.

The advantages include a more flexible and cost-efficient way to keep pace with digital developments and an ability to match computational capacity with demand; “the ability to move from capex to opex has to be a key part of the business case,” Jemma Ingham, PwC’s Finance Cloud Leader.

Finance needs to release control and start collaborating with others to take advantage of cloud based solutions. While security will always be a concern, several participants noted that SaaS providers’ commercial reputation



depends on effective protection and they are therefore better equipped to make the necessary investments. Compliance with data regulations is also an issue, especially with regards to concerns on where personal data from a particular country resides, which may conflict with centralised cloud databases. Further challenges include navigating the data regulations which differ by country. Finance should alert IT and legal teams about these issues from the outset.

As pioneers’ experience shows, the transition can be challenging. The technologies are flexible and can be adapted to the business, rather than the business to fit the technology. You set the pace of change from radical to a more measured pace. It’s about how willing your people are to accept the change, which puts more emphasis on the organisation’s approach to change through engaging communications and effective training.

‘Your next big [IT] change has to be SaaS. It’s insane to host anything anymore’ said a client speaker during the finance in the cloud panel debate.

“More and more I hear my clients saying you’d be mad not to consider the cloud for your finance systems and many organisations are now well advanced on that journey.”

Jemma Ingham
PwC Finance Cloud Leader



Collaboration

Digital has changed the way we work, opening up ways to collaborate more closely within virtual teams. For finance in particular, it opens up opportunities for many teams to work together, real time on both reporting and analysis in parallel, rather than passing work from one person or team to another sequentially.

Outside work we're used to using social media and other collaboration tools to share ideas and make quick decisions. For digital natives who are used to using social tools within their personal lives, this more collaborative approach is an expectation at work, demonstrated from feedback at the conference to show most delegates, newest intakes of graduate staff would sacrifice a degree of pay for a modern workplace technology. This highlights that if you don't embrace this change, you risk losing out on top talent.²

We've seen digital focus on improving relationships for the customers of finance outside the business, which is impacting the external relationships with customers. As a result, we're likely to see what a participant described as the "consumerisation of finance technology".

There is some way to go, however. "At a time when social collaboration tools are cheaper, more secure and readily available than ever, it's surprising how many finance teams are still emailing spreadsheets," said a participant. The answer isn't just about technology, but embracing collaboration as a skill and building it into the wider systems infrastructure.

“ Finance has operated for generations in the same repetitive cycle – pulling raw data into a spreadsheet, emailing it to several colleagues, waiting for, and chasing responses, then finally attempting to consolidate the conflicting responses. This just doesn't allow for effective interaction or the questioning of the data, which the business needs. **”**

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David Doyle
PwC Digital Finance Leader



“ Collaboration is about bringing in different viewpoints as collaboration tools aren't just about speed, but also the quality of the decision making process and all the conversations we have. This means people and processes are as important as technology and tools. **”**

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Brian Furness
PwC Finance Consulting Leader

² The future of work: A journey to 2022, PwC 2014



The digital workforce

During the summit, participants talked about the different roles of finance and the pressure to adapt their skills sets around data analysis, insight and collaboration. More and more organisations are bringing in data scientists to sharpen their analytical capabilities. But finance professionals still have challenges and turning the analysis into commercial insights.

The new digital workforce has fundamentally changed the role of shared services, with many rules based, number generator roles set to be taken over by artificial intelligence. The key goal is informed decision making, leveraging insight and advice.

The business partners that emerge will be more collaboratively focused, with less processing responsibilities. People from within the business will work with a wide range of stakeholders and vice-versa, creating greater opportunities to move into senior leadership and business partners working closer with the business.

“With technology and now we have artificial intelligence that challenges rules based accountancy, artificial intelligence could be transformational but many of the organisations I speak to don't quite know how.”

Anish Shah
PwC Digital Workforce Leader





Cyber security

The number of cyber incidents is growing exponentially, increasing the risk and highlighting that it isn't just IT that should react. It's not uncommon for organisations to be bombarded with phishing emails, Trojans and multiple virus attacks. What is the finance functions role in this?

The challenges of getting on top of cyber security are highlighted in PwC's latest Global State of Information Security® Survey, which reveals that there are 117,000 attacks a day on average, a 48% year on year increase in detected global information security incidents in 2015.³ While the popular image of the perpetrators often centres on hackers or criminal gangs, they could just as easily be disgruntled employees. Our experience shows many companies don't even know when they've been targeted.

As one of the main custodians of sensitive information within the business, finance teams have a crucial role to play. It's their job to know where information is at all times, how it's secured, who might want to steal it, and how they might gain access to it. The CFO should take the lead in assessing and advising the board on the full financial impact of a cyber-attack. It's impossible to protect everything, so finance should help to identify the most value assets that differentiate your business and are in most need of protection. Breaches will still happen, so it's vital to have clear and credible contingency and communication plans ready to go.



³ Global State of Information Security® Survey 2016, a worldwide survey by CIO magazine, CSO and PwC. 627 of the 10,040 executives from 127 countries who took part were from the UK (www.pwc.com/gsi).

A new way of doing business

Digital is a great opportunity to improve how businesses interact with customers to create value, as well as allowing finance to interact in a more relevant and impactful way with stakeholders both within and outside the organisation. Therefore digital isn't just important in the way the businesses engage with their commercial customers, but also the customers finance serves and how the function is run.

Digital is a strategic rather than technological issue, enabling businesses to find new ways to solve problems, create unique experiences, deliver efficiencies and accelerate business growth. Underpinning this is the need to engage with customers, employees and investors and secure their trust in an era of uncertainty and change.

Finance is uniquely equipped to foster the trust, insight, empowerment and agility needed to realise that potential. Yet to achieve this, it can't insulate itself from the disruption and cultural challenges facing all areas of the business world. Forward-looking CFOs are already bringing in the new skills, systems and collaborative ways of working needed to succeed. Those that do nothing, not only risk losing relevance within the business, but also talent and investment within their function.



