

Finance: a journey to the future?



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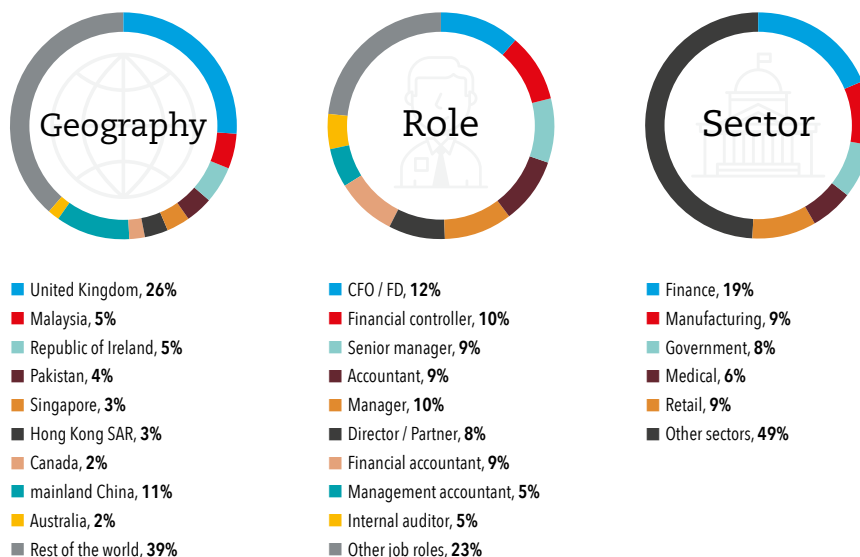
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About this report

Finance functions across many organisations are at a key point in their development. They need to evolve to create the value sought by their customers, both internal and external. What is the nature of this challenge and how prepared are they for it? What is the relevance to attaining this future state of the discussion in which the finance community is engaged?

In this report we set out, through six hypotheses, a vision of what the future finance function may look like and lay the foundations for those who intend to embark and be successful in their journey towards change.

That vision was explored and tested across a series of workshops that were conducted jointly by PwC and ACCA in Republic of Ireland, the UK, mainland China, Hong Kong SAR and India, as well as on a survey of approximately 1,100 members and contacts. The distribution of the survey respondents was as shown below.



Foreword



Helen Brand
Chief executive, ACCA



Brian Furness
Global Head of Finance
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The finance function has a clear opportunity to ensure that it remains a highly relevant, flexible organisation that supports business growth at a time when there is an ever more pressing need to react quickly. It is all too easy to be dazed by the size of the disruption that organisations face, or the feeling that the new is hard to grasp and ever changing.

Successful organisations in the current environment learn to thrive on change; to adapt to shifting environments; to embrace the opportunities offered by technological innovations, the effective use of data being in prime amongst these. These organisations focus on integrating finance skills and knowledge throughout the organisation as an integral part of the decision-making process.

Finance leaders' ability to lead the culture change is a significant challenge that needs to be addressed. There are many versions of this narrative – a potential uncertainty for the finance team of tomorrow. It is important to remain informed about these evolutions; to develop teams with relevant skills and to recognise that these skills need to be constantly refreshed and reinvigorated.

This report, which is based upon a series of interactive workshops with leading finance professionals, interviews and survey responses, considers several the common views of the key attributes of the finance function of tomorrow and explains how these might be addressed by forward-thinking finance teams. Many of the suggestions come from those who have embraced the change so far. Above all it is a story of relevance and organisational success.

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IN OUR VIEW:

The comfort zone is a danger zone. Opportunities lie outside.



If you could start with a blank piece of paper how would you design the finance team, and would it resemble in any way the structures we see today? If we undertook this exercise how far ahead would we look? Would the design we come up with still be relevant in five years and would we even have such a thing as a finance team?

The rapid changes we are seeing today – which cut across technology, data, skills and culture create opportunities that go far beyond merely driving greater efficiency and cost savings. We have an opportunity to consider how we could do everything differently and add far greater value to the business. It means challenging everything we do: not just how we do those things but whether we should continue to do some of them at all. To meet the challenge, we need to go back to the basics: why do we have a finance function? What business need does it fulfil? How is that need evolving?

THE ADVANCE OF TECHNOLOGY AND DATA

To remain relevant, finance needs to fully embrace technology and all its possibilities. Cloud-based ERP systems will liberate data allowing a greater level of insight to be generated, while at the same time creating capacity in finance teams. How will we deploy that capacity? Will we use it to create new sources of insight, changing not only the role that finance plays within the business but potentially create a cultural shift in the finance profession itself? Or will short-term thinking prevail leading businesses to simply bank the cost and efficiency savings within finance and miss out on the greater opportunities for finance to add value and protect the organisation.

A NEED TO ADAPT

There is also a danger that finance itself will fail to respond to these changes and become less and less relevant to the business. Our research suggests that chief financial officers, particularly in Western Europe, may be less willing to embrace significant change than their counterparts in other parts of the world. Perhaps this is due to the regulatory environment,

economic outlook or even, potentially, cultural or generational issues between individuals who are perhaps less likely to drive the change agenda late in their careers when compared to those who are just embarking upon their career journey. This could represent a threat to both the role of the finance teams in these businesses and also to the businesses themselves. Organisations that don't change risk being pushed aside. If finance is to support organisations in responding to disruption it must recognise that it needs to change itself.

IMPACT OF TECHNOLOGY

The finance function as it exists today in many organisations, was created by pressures and constraints around systems and data that are rapidly being swept away, particularly in growth economies and industry sectors. Finance has arguably become 'institutionalised' around the shared services, business partnering model and dealing with short term issues given the focus on quarterly and monthly reporting targets. But much of this activity is simply a consequence of systems not being able to talk to each other – as we move to a more continuous cycle of reporting finance will increasingly be expected to look at the future rather than the past and think strategically, rather than tactically.

Nor should we believe that just by investing in technology we will resolve all our issues: ensuring that technology is adopted across the organisation and positively impacts the experience of employees and customers is critical to getting full value of the implementation.

COMMON PROCESS MODELS?

As we move to cloud-based solutions financial processes will increasingly be dictated by technology. This standardisation of finance processes and reporting will give organisations a common set of processes. At one level, the majority of finance processes are relatively straightforward – we make them complex as a result of the organisational structures we construct which drive complexity across reporting dimensions and fragmentation of data across systems. Many of the things we do today are simply unnecessarily complex. We must no longer to use technology to automate bad processes and paper over the cracks. ▶



IN OUR VIEW:

The comfort zone is a danger zone. Opportunities lie outside.



THE CHALLENGE OF ORGANISATIONAL CHANGE

Our workshops and global survey tell us that while the market is comfortable with the shifts in data and reporting it is much less so when it comes to imagining what changes will be faced in culture and the organisational structure. Yes, they know that change is out there but nearly half our respondents said they felt that change wouldn't impact them within the next five years, which suggests that they are comfortable where they are. Perhaps finance professionals discount this change because they can't yet see how they will be impacted or how to respond, particularly in terms of the skills they need in the future.

In many cases finance can be seen to be doing a 'good enough' job of things like reporting and business support. However, we should be careful that this doesn't lead to complacency and we should always strive for improvement. Many of the functions that finance currently carries out can be devolved and carried out on a self-serve basis. If the finance department is seen as an increasingly irrelevant overhead, only concerned with external reporting and regulatory compliance, then the independence and ability to challenge decisions that it brings to the business will be lost.

THE ADAPTIVE FINANCE FUNCTION

Finance needs to develop its agility in order to support the business to develop long-term strategies for profitable growth and sustainability in a rapidly changing market. While not losing focus on cost and efficiency it must recognise that improvements to the way finance operates internally will have much less impact than solving business problems and delivering increased value to stakeholders.

That means creating the space to think more broadly about what the business needs and how finance will operate in future. When transactions are instantaneous, rapid decision making based on up to the minute information is of paramount importance: the business cannot wait a month for finance to catch up. Many organisations now expect finance to be involved in decision-making beyond its traditional realm. In today's faster, more agile business environment, organisations need decision support, particularly from finance, more than ever before.

THE NEED TO EVOLVE

In a rapidly evolving market, businesses need to make decisions around their long term strategic goals, balanced with the need to deliver short and medium term results. Finance is in a unique position in the organisation to deliver the insights required to make these decisions. However, in order to be at that table, finance needs to further develop along its journey to being a more proactive, advisory function whilst not losing sight of its role in providing discipline and control to the business.

Some of what we now see as finance activities may well have to move out of the finance department: new skills and activities can and should replace them, as the nature of the finance functions evolves. In the future, can businesses afford not to invest in the skills, capabilities and tools of their finance team? Or, are they still struggling to see the value that this investment could deliver?

This level of change can be viewed as both a threat and an opportunity. Perhaps the greatest threat to the finance professional is that unless you actively grasp the opportunities to do things differently, you will have very little influence on defining the direction of the finance function and your role within it. ■



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Executive summary

This is a story of opportunity not threat. In seizing the opportunity finance leaders need to ensure that their teams are aligned closely to the purpose of the organisation. They need to create a finance function that serves the organisation better in a constantly disrupted world. There is a reality that change will come, so it is important to reflect on how prepared we are for that change and this is explored within the research discussed here.

Our research approach

ACCA and PwC have jointly conducted a series of workshops and interviews with leading finance professionals and those who have a close involvement in developing the finance function strategy of tomorrow.

The workshops, interviews and the supporting survey were based on a set of six hypotheses that were developed by the project team, in response to the numerous conversations and debates that they have previously had about the future of finance. These hypotheses represented the aggregate opinions that were expressed in initial conversations and were used to question and validate the likely realisation of these future visions.

The survey of ACCA members and PwC contacts had over 1,100 responses from a range of geographies and industries.

The resulting story

The results tell of the significant opportunity which lies ahead for the journey of the future finance function. This is an opportunity, however, which encompasses data, technology and processes, people and culture – all of which provide finance with a platform for positive change across the business.

Whilst the comments of the workshop participants were diverse, the following key points summarise their views.

- The biggest barrier is 'mindset' change in the leadership of, and role of finance; in part this may be due to the different perceptions of different generations.
- There is a need to focus on the 'insights' agenda and access to data: both internally and externally sourced data.

- Technology knowledge is key for establishing the future capability of finance; finance leaders need to keep abreast of the trends.
- Technology isn't just about 'cost' but also about how it can assist you to add value to the business, which will be difficult without technology.
- Organisations need to reduce transaction processing activities using technology and by optimising processes.
- Headcount reduction is a by-product of technology, not the objective.
- There is a need to rethink traditional cycles, which are often based on historic manual processes and non-integrated systems, and replace them with agile, real-time processes.

This is also a story of challenging a traditional culture of finance and recognising that the agile spirit is one that can lead to success. Culture change is often one of the hardest things to achieve.

This report

In Chapter 1, we set out the potential challenge for the finance function: how we can try to foresee the unknown, and the six hypotheses that ACCA and PwC have developed which we consider being indicative of the finance function of tomorrow.

Chapter 2 considers the feedback on these hypotheses, gathered from the survey, and workshops and interviews undertaken. What do finance leaders think has been achieved / is being achieved or is likely to be attainable in the medium or longer term?

For most of the hypotheses, over 50% of respondents in each case thought that the objectives were achievable. Our respondents were comfortable that with the hypotheses concerned with data and insight but less so with those related to organisational change.

This is also a story of challenging a traditional culture of finance and recognising that the agile spirit is one that can lead to success. Culture change is often one of the hardest things to achieve.

Chapter 3 considers the two fundamental elements of the future finance operating model. At a macro level, the change of finance's purpose in the way it relates to the organisation overall and at a micro level the potential organisational structure of the finance team in the future.

And lastly, Chapter 4 sets out the potential steps that a finance leader may choose to take on the evolutionary journey when evaluating how the future finance function may be established.



SO WHAT ACTIONS DO I NEED TO TAKE?

In this table we present a summary of the key considerations highlighted as part of the research. Each of these areas is considered in the main body of the report, supported by contributions from those in PwC who have relevant experience.

DATA 	TECHNOLOGY AND PROCESSES 	SKILLS 	CULTURE AND ORGANISATION 
Understand the key data that drives the organisation and ensure appropriate governance over it.	Invest in systems to aggregate existing data sources as a step to a cloud-based infrastructure.	Ensure that finance competence is at the core of strategic decision making.	Promote a culture of learning to ensure that finance team members have the relevant skills to address the business need.
Critically appraise key performance drivers, leads and lags to ensure that they measure any disruption to business.	Include investment in automation tools in the finance component of the technology strategy.	Invest in business partnering skills that can be leveraged at both the strategic and the tactical levels across the organisation.	Reappraise location strategy and ensure that finance competence is located as an integral part of the decision-making process.
Develop a data-management strategy to overcome the legacy of disparate systems and processes.	- Enact a technology strategy for the organisation, including finance, that uses 'best-of-breed' cloud-based systems. - Map out the necessary skill-development effort required to support change.	- Reappraise career paths and ensure that development paths reflect the opportunities that the organisation can offer. - Invest in agile leadership skills for senior finance team members.	Reappraise the internal organisational structure to bring finance closer to strategic decision making.

1. The challenge of foreseeing the unforeseeable

1.1 PREDICTING TRENDS IN A DISRUPTIVE WORLD

Understanding our purpose

Perhaps the most fundamental questions raised in this research are: what is the purpose of finance and what does it want to achieve for the organisation? For many contributors the purpose is shifting. The traditional stewardship and custodial models, while still important, are being challenged by the faster-moving economic environment, the opportunities from data-derived insights and the reality of disruptive forces.

How does finance play an integral role in the achievement of the organisation's overall objective? Does this require a different culture from what we may be used to? These significant questions were explored in the interviews and workshops that formed the basis of this research.

Understanding the journey

The future is hard to predict. Many commentators are keen to point out that we live in a time of rapid change, the pace of which we have not seen before. Naturally, this causes uncertainty and a desire for clarity. The finance function is not immune to any of this. There are many conversations, not least among ACCA's members and the clients of PwC, about what the future may hold. We all have ideas, but what are our shared views? What evidence is there to support

these? How much may be just imagination and how much is a reality? Are we being sufficiently visionary in how we look at finance?

We asked the respondents to our survey how significantly they thought the finance function will change over the next year, in the next three years (the medium term) and next five to ten years (the longer term).

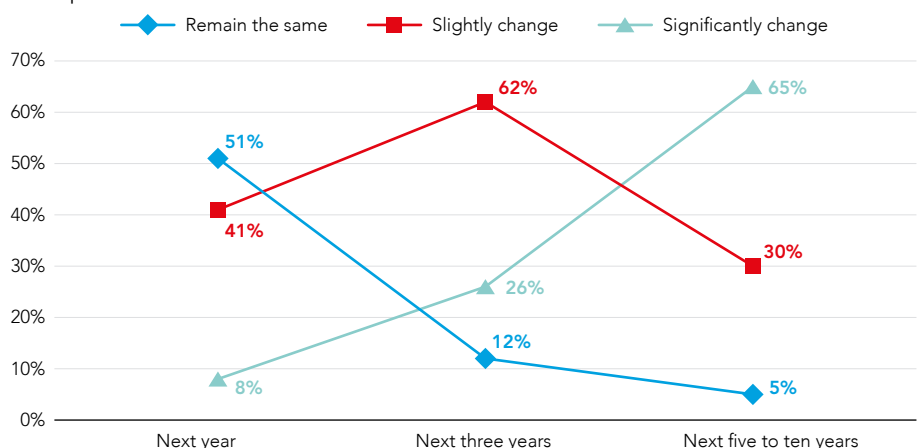
The results show that our respondents expect a significant change in the role of the finance function over the next ten years (as shown in Figure 1.1). How might we categorise those shifts?

Taking stock of disruptive forces

We often talk about disruptive forces affecting organisations. Some long-standing organisations, such as Kodak, have seen their business models changed dramatically by technological advances and evolving consumer preferences. In some cases, such as Kodak, the organisations were aware of the evolution but chose to ignore it.

These shifts are set to continue, and successful businesses will continue to evolve and thrive while those that fall by the wayside will be those that have failed to respond to the inevitable shifts.

FIGURE 1.1: How significantly will the role of the finance function change – percentage of respondents?



Modelling the future has always been a challenge so it is increasingly essential to have a deep understanding of the drivers of any business and apply financial acumen when dealing with change.

That is not to say that these disruptive forces have the same impact across all markets. The impact of technological advances plays out very differently in mainland China and in a Western European economy. In mainland China the focus is on aggregation of enterprises around technologies rather than directly by disruptive entrants into the market.

As finance teams we need to be better informed to anticipate these trends. Modelling the future has always been a challenge so it is increasingly essential to have a deep understanding of the drivers of any business and apply financial acumen, when dealing with change.

One clear example is the knock-on impact of driver-less cars on the broader economy, as articulated by PwC's disruption team, for example, airport operation. Business leaders in those sectors will need to ask themselves some fundamental questions. How much revenue and gross profit is generated from car parking? Would the economics of airport operation change if, as consumers, we shift to shared driverless cars that do not require parking? Tangential thinking is a key component of any vision of the future.

1.2 DEVELOPING A VISION

Peter Drucker, a leading change-management expert, explored the dangers of looking forward as 'Trying to predict the future is like trying to drive down a country road at night with no lights while looking out the back window.'

It is always a challenge to set a path for the future when you cannot be certain where that journey will take you. As

individuals, we seek confirmation and certainty as a way of dealing with the future, yet the pace of technological change is such that it is hard to predict the next three years, yet alone the next ten. What we need to be is accomplished in dealing with constant change. Paradigms such as the Kubler-Ross model, the five stages of grief, as set out by Elizabeth Kubler-Ross in her book *On Death and Dying* (Kubler-Ross 1969) seem potentially out of date for this state of evolution.

Dimensions underlying the evolution of finance

In this report we have sought to speculate on what we cannot yet know, by building upon what we do know. This presents its own challenges, but we have used expertise and experience to suggest where the trends in workplace structures, technology and data may take us.

The transformation of finance can be defined by five dimensions (as shown in Figure 1.2). We have traditionally spoken of the importance of people (skills), process and technology in transforming organisations and in establishing internal control. The importance of data to the success of the organisation warrants the inclusion of this as a fourth dimension. Supporting all these is the transition in the culture of the organisation, and of the finance function, to being more flexible and adaptable.

Each of these five dimensions are considered in this report, both against the narrative of the hypotheses but also through the considered opinions of PwC professionals who work extensively in each of these areas.

FIGURE 1.2: Dimensions underlying the evolution of finance



No two organisations will be at the same point on this development curve. This will be a factor of industry, geography and size.

1.3 CHARACTERISTICS OF TOMORROW'S FINANCE FUNCTION – THE HYPOTHESES

As commented, many conversations with ACCA members and PwC's clients reflect upon the trends in finance and what the future might be. The challenge with these conversations is that people have many varied views, yet also express some ill-defined common hypotheses. Yet there is also a strong element of consistency in these ideas across differing sectors, business sizes and geographies.

Bringing those conversations together, ACCA and PwC have sought to identify the common ideas and perceptions people have of what the future of the finance function might be, and to present those ideas back the market, to test for true validation and practical evidence.

The research team developed six hypotheses (as shown in Table 1.1) that summarise some of the key trends driving finance. Each of the hypotheses were supported by a set of exemplifiers that provided a context for the assertion. In testing those hypotheses with ACCA members and PwC clients we sought to understand their likelihood and

dimension, the resulting opportunities and the challenges that may arise in following those trends. Where might examples of leading practice be found? The results form the basis of this report.

No two organisations will be at the same point on this development curve. This will be a factor of industry, geography and size. The origins of the organisation and the legacy of its processes and systems were also found to be significant factors.

Our report also includes opinion pieces from PwC professionals that illustrate some of the opportunities relating to those trends:

- How cloud-based technology facilitates the finance function of tomorrow and its impact on processes (Chapter 2, section 2.1).
- The relevance of open data and the role of finance in leading insight and good data governance (Chapter 2, section 2.2).
- The evolving skills and talent agenda (Chapter 2, section 2.4).
- The cultural shift in finance necessary to support the evolution of finance (Chapter 3, section 3.2).

TABLE 1.1: Six hypotheses driving finance's transformation

Accessible, trusted data will drive real-time, customer-centric decision making	Trusted data will be open and accessible across the organisation	Finance teams will spend all of their time on generating insights	Traditional finance roles will disappear. New roles, skills and career paths will be needed	The finance 'function' will be virtual	The traditional CFO role will no longer exist – to be replaced by roles such as chief operating officer and chief strategy officer
- Existing planning, budgeting and forecasting processes will be replaced by dynamic, AI supported, modelling. - Finance and operational data will be integrated to give one unified 'version of the truth'. 	- Artificial Intelligence (AI), machine learning and blockchain will form the basis of transactional processing and transform data quality. - Finance will assume a governance role over the quality and interpretation of data, ensuring security and integrity. - Internal controls will be embedded through technology in end-to-end processes. 	- Finance's reporting role will disappear – delivery will be through self-service data presentation and enquiry. - External reporting will be real-time and integrated. - Regulators will access data remotely on a real-time basis. - Finance teams will focus externally, on markets, competitors and spotting disruption. 	- New roles will be required, eg to design, configure and maintain highly automated finance systems and processes, and to manage the 'ecosystem'. - Data skills are central to the new finance roles and skills. - Career development will be quite different with the transformation of the traditional finance function. 	- There will be no traditional finance function. - Core processing activities will be largely automated and/or delivered through an ecosystem of on-demand resource, outsourcing and automation. - Routine interaction will be through chat-bots, apps and AI. Finance adjustments will no longer be required as ledgers and sub-ledgers integrate and/or use blockchain. 	- There may be no business requirement for a senior finance leader to have a recognised accountancy qualification. - Stakeholder management will be more important than financial acumen at the senior level. 

2. Exploring the six hypothetical evolutions of finance

In the interviews and workshops where those hypotheses set out in the previous chapter were put to a test, there was broad acceptance that they indeed represented key trends in finance, and a significant part of the vision for its future. The survey data supported the opinions and conversations. The challenge for many became how far-reaching the vision could be, as for some organisations the hypotheses represented near-reality.

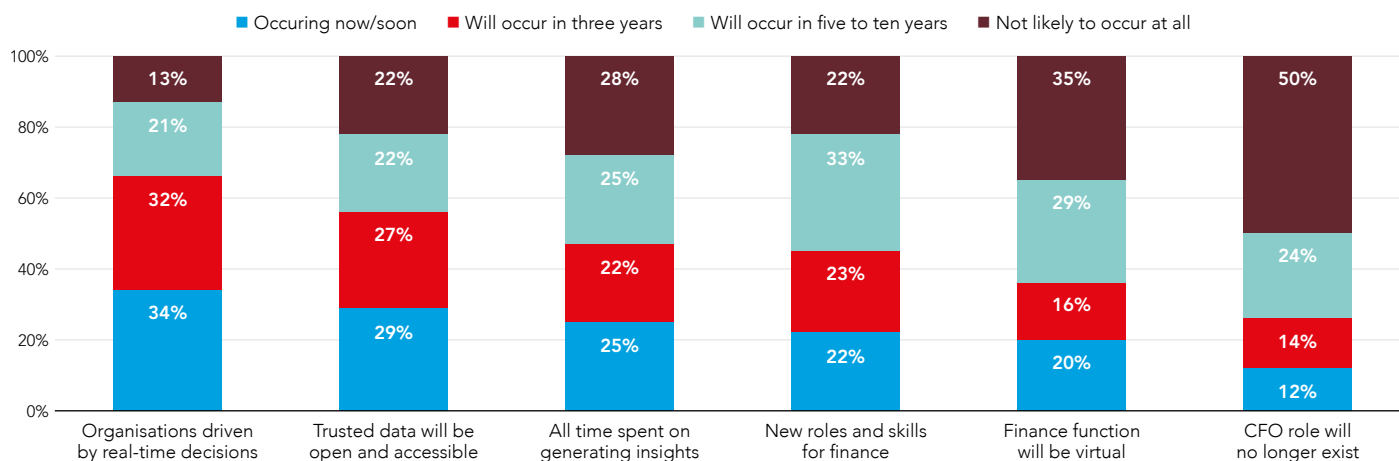
Those who responded to the survey were asked to indicate whether they thought the hypothesis would occur in their organisation and if, so, an approximate timeframe that corresponded to the present, the short term (one year), the medium term (three years) and the longer term (five to ten years). Figure 2.1 shows these results.

The believers and non-believers

Our respondents and workshop participants were clearly separated into two groups: those who might be termed 'the believers', who consider that change will happen but question the speed at which it will affect them and those who do not consider that major change is likely,

the 'non-believers'. As we will explore in the analysis of the survey results, this seems, in part, to be a question of both geography and demography. The respondents in those economies that are considered to be developed (such as the UK and Republic of Ireland) appeared less open to change than those in fast-

FIGURE 2.1: The overall assessment of the six hypotheses: initial comparison – ordered by the percentage of respondents who consider it to be occurring now /soon



Note: in this chart, and in the others in this report, the survey responses of 'occurring now' and 'occurring in the next year' have been combined to represent an evaluation of current activity. Survey respondents were asked to categorise their idea of the likelihood of a hypothesis occurring between now, soon, next three years, in the next 5 to 10 years, or not likely to occur at all.

The finance team of tomorrow needs to be dynamic and forward looking as much as it is retrospective. A clear undercurrent of this discussion is the need to rethink the culture and purpose of finance.

emerging economies (such as in mainland China and across Asia), perhaps because innovations have been flourishing at an even faster pace in the latter economies than elsewhere. As commented in our opinion piece in Chapter 3, section 3.2 this may be in part be due to the tighter connection between government, industry and tertiary education.

What we foresee and what we do not

There was a strong consensus among the respondents that the use of data was something that they could accept was happening and that this was necessary for the evolution of finance. This is represented by the responses to the first two hypotheses in Figure 2.1. What is less certain is that the organisational fabric of finance will evolve as represented by the final two hypotheses, ie the finance function will become virtual (with a less rigid organisational design) and the leadership role will evolve.

Our survey responses highlighted apparent geographical differences between Australia, the UK and mainland China, as follows.

- The UK represented the most 'conservative' outlook on the future of finance – with most responses in the 'not likely to occur' category.
- Mainland China represented the most 'progressive' outlook on the current and future state of finance – with the highest number of responses in the 'occurring now' or 'in the next three to five years' section.
- Australia represented a 'moderate' outlook in response to the six hypotheses – most responses sat in the '5 to 10 years' outlook.

Similarly, our survey responses highlighted sector cultural differences between those in financial services and those in corporate finance:

- corporate respondents represented a much more 'conservative' outlook on the future of finance; and
- financial services respondents represented a much more 'progressive' outlook on the future of finance, specifically in their focus on new skills and roles.

It is possible to suggest that, especially in more traditional markets, the innate conservatism of the CFO community correlates with the lower acceptance of the last two hypotheses: the virtual finance function and the evolution of the CFO role. One should caution that change will happen, and to fail to recognise this may be detrimental to the longer-term success of the organisation overall.

For the finance function of the future this requires the development of an agile mindset (including the acceptance of incremental change and rapid development) regarding both innovation and team leadership.

The way forward for finance

One of the biggest challenges highlighted by many who participated in this research is the necessary evolution in the mindset of those who work in finance. Many commented that the traditional role, based on the legacy of manual and early computerised processes, of monthly cycles and consequent snapshots of the 'truth', may no longer be fit for purpose. The finance team of tomorrow needs to be dynamic and forward looking as much as it is retrospective. A clear undercurrent of this discussion is the need to rethink the culture and purpose of finance (as discussed in Chapter 3, section 3.1).

We shall now explore each of the hypotheses in detail, considering the responses and the potential implications. In this discussion, respondents showed a move to more real-time decision making (section 2.1) that is in turn supported by a greater use of data across the organisation (section 2.2) to generate insights that support business growth (section 2.3). This requires us to apply new skills and develop new roles (section 2.4) thereby delivering a broader role for finance (as discussed in section 2.5). Finally, we consider the impact on the leadership of the finance function and its overall purpose in section 2.6.

For each of the hypotheses we present a geographic comparison of the survey results by the location of the respondent's employment and, in a table, some representative observations from the workshop participants.

87%

of survey respondents foresaw this hypothesis being realised in their organisation

2.1 ORGANISATIONS WILL BE DRIVEN BY REAL-TIME, CUSTOMER-CENTRIC, DECISIONS

This hypothesis had the greatest level of acceptance among our survey respondents and our interviewees: 87% of the survey respondents overall foresaw this hypothesis being realised in their organisation, with two-thirds considering it would be achieved in either the short and/or medium term.

With small percentage variations across the main countries in our survey it is clear for that for most finance professionals,

real-time, customer-centric decision making is either becoming a reality now or will do in the medium-term.

Our workshop and interview participants shared this view. The need to focus on better decision making using data is key. Using technology such as machine learning to improve forecasting abilities will enable finance professionals to remain at the centre of decision making. Nonetheless, as some cautioned, there is an important role for human interpretation, not least in managing issues of bias and risk.

Workshop participant observations

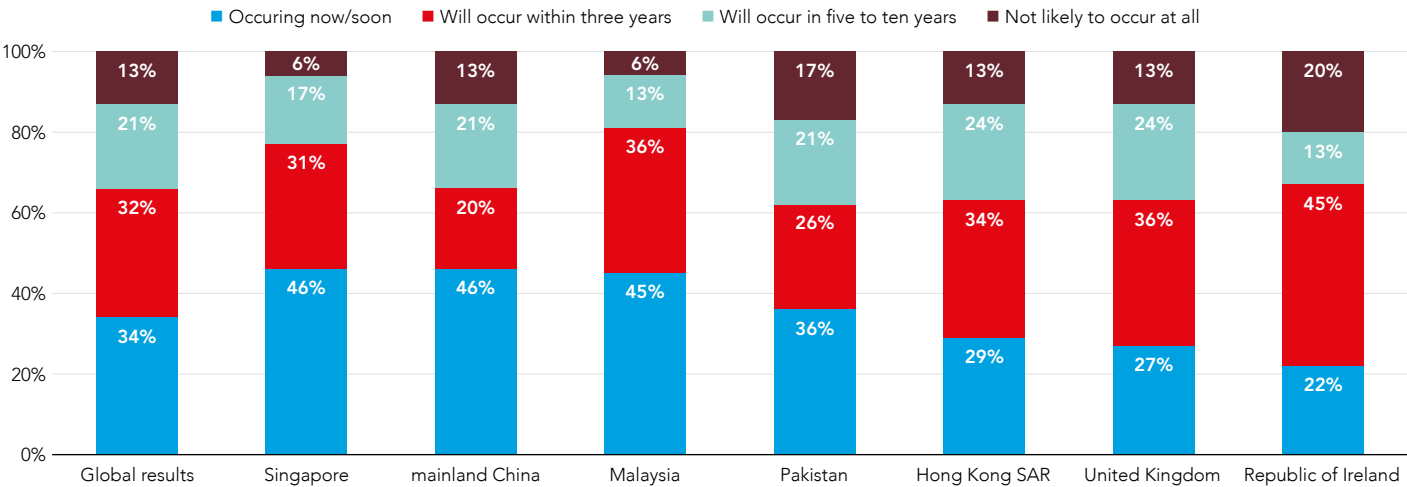


‘This is already happening in retail and insurance... but real time is not always essential and data on its own is not necessarily giving you the full story’.

‘Successful companies need real-time information; predictive analytics and AI will allow identifying new patterns, quicker, supporting better decision-making, faster, but effective data acquisition, management and control frameworks must be in place to support this evolution’.

‘Finance needs a real shift from conventional ‘100% accuracy’ models and understand better what problems it is trying to solve’.

FIGURE 2.2: Organisations driven by real-time decisions – analysis by location of respondent



Note: In this Figure, and in each of the subsequent presentations of the responses to the hypotheses in this Chapter, the results are ordered by the percentage of respondents who consider the hypothesis to either be being achieved now, or to be occurring soon.

One challenge is that our internal processes and controls now need to be adapted to the functionality of the cloud application rather than being tailored to the organisation.

One version of the truth?

Many of our workshop participants commented on the need for organisations to have 'one version of the truth': one set of data that captures the reality of the organisation and thereby support effective decision making. But, as finance professionals, we are conditioned to aim for 100% accuracy in data. In our workshops we questioned whether a given decision would be any different if we achieved, say, 80% data accuracy. Should we delay decision making to achieve accuracy?

For many, the biggest barrier is the legacy of systems that they have. The inability to make data flow between applications is a significant challenge; yet alone to realise the importance of data and the development of one 'version of the truth'. This translates into processes where reconciliations between data sources remain a significant proportion of finance effort. Dealing with this technology deficit may yet prove to be one of the significant factors defining the future of finance. Failure to deal with it, to invest appropriately, may marginalise finance within the organisation.

Impact of cloud applications

The way that we look at systems is changing too. The advent of cloud-based applications means that we no longer need to focus on the all-encompassing software suite that covers all business processes; rather, we can use 'best of breed' applications in specific areas linked together by application programming interfaces (APIs). SAP S/4HANA, for

example, starts with a finance core application (a concept called the Digital Core – as shown in figure 3.2). If we achieve this flow of data, the need for reconciliations diminishes and the month-end loses its significance. Open-architecture technology enables vendors, who are in competition with each other, to develop add-on products to enhance the core application. This increases the core application's flexibility, functionality and potential life.

The implementation of cloud-based solutions creates a fundamental shift. For many organisations, the efficiency of the processes, as supported by a customised enterprise resource planning (ERP) application was the market differentiator. The implementation of cloud-based, 'best-of-breed' applications means that organisations will share a common business model – one defined by the application. The market differentiator therefore shifts to the speed of response for the customer. The culture of the organisation in supporting this customer-centricity is key to organisational success.

One challenge is that our internal processes and controls now need to be adapted to the functionality of the cloud application rather than being tailored to the organisation. The commercial advantage that might previously have been gained from comparatively better processes than a competitor is lost. Instead it is replaced by competitive advantage being driven by quality of underlying data, speed of process and extent of insight.



New digital cloud-based ERP platforms – otherwise known as ‘the digital core’ – are driving the technological future of the finance function. These platforms are forming “the digital core” of organisations and many are now focussed on building them in as a cornerstone of their transformation journey. To understand the advantages of a transformative and agile ERP ‘digital core’, will be fundamental for any CFO looking to build a digitally enabled finance function.

Historically, the needs of finance and the business changed, for example around the continuing evolution of reporting requirements or dimensions (including the rise in importance of areas such as customer/channel/product profitability, sustainability reporting), companies built multiple bespoke systems and tools into and around their core ERP – increasing the size of their ERP system over the years. This strategy created a world in which the finance function is forced to work with multiple disjointed systems unable to provide agile, precise and trustworthy data to the business.

The future ‘digital core’ model will place emphasis on a lighter, leaner and more agile ‘core’ platform. The ‘digital core’ often seeks, purely to deal with the fundamental transactional finance data. It interfaces with other “non-core” functions to harvest their data, as needed. The more bespoke, business-related, “non-core” systems (for sales, financial modelling, planning and procurement, for example) sit outside ‘the digital core’ and interface smoothly with the lightweight core. Processes will come from automated interfaces between the bespoke systems and the light-weight core – to provide robust & trustworthy information to aid decision-making.

In what has been coined ‘The Fourth Industrial Revolution’, a CFO would be able to run month-end at any point in time – with a light and robust ‘digital core’ able to consolidate data from around the business at any point in time. In fact, month-end may become a thing of the past. By harnessing the power of automation and robotics, a finance function could explore the possibility of tracking financial performance in line with a particular product’s lifecycle. There will be two types of organisations in this world – those finance functions who adjust to technological change and have the data at their fingertips with a lightweight ‘digital core’; and those who remain heavily reliant on a burdensome core ERP core for month-end.

However, this investment question creates an existential threat to the future finance function. Management may go direct to the sources systems to make their decisions and bypass the digital core. A data scientist could, for example, work with using your CRM system experts (to follow trends from campaigns to actual sales) ignoring the core finance systems altogether and providing the business with the analysis it needs to make decisions.

If we begin to rely on non-core financial systems for decision making and the generation of financial information, then how do we ensure that the disciplines around the integrity of financial information are

upheld? In ensuring this integrity, the role of the finance function could begin to shrink quickly, and, subsequently, there risk of poor financial reporting & decision-making will increase.

Yet, any CFO can navigate these challenges as long as there is an awareness of the value which financial disciplines can bring to new technology. The discipline and rigour, which has historically defined the finance function, must remain at the centre of the workforce as it embraces the new ‘digital core’. It is those skills and attitudes which will help the finance build trust in its data – so that the business can place more faith in finance and rely more and more on the function to achieve its strategic goals.

The finance function must be aware that it has to drive data validity, quality & homogeneity as quickly as possible – to reduce the number of exceptions in the ‘digital core’. As soon as finance start to amend the coding or inputs of transactions into the ‘digital core’ – the function reverts to its traditional role as a transactional back office.

Once we begin to remove ambiguity in the data, and implement rules, we can employ tools such as big data and robotics to deliver enormous growth in business insight and predictive information. The key is that both financial disciplines and modern tools are at the heart of the future of finance.

Assuming that the data is 90% accurate, a robot (who could work faster and longer than any human) takes care of a further 9% – performing repeatable tasks, as set by rules to validate data, using an algorithm to ensure the data doesn’t have any flaws. Furthermore, as long as the data has a level of repeatability, then we can begin to imbue our robots with a level of intelligence (AI). Suddenly, the “Digital Core” can provide a level of predictive output, as well as data validation.

Taking all of this into account, the finance function must be understand its vital role going forward in building financial trust – so that the robots, artificial intelligence and blockchain of the future can give the business real and lasting commercial advantage. ■



Colin Bezant, Director

Colin is a Director who leads the delivery of Digital Integration services and developing assurance services around SAP S/4HANA.

In our conversations it was apparent that our approach to technology needs to change if we are to be successful in developing the next iteration of the finance function.

Technology as a precursor

Traditionally many technology implementations fail because the technology is looking for a business issue to address ('an answer looking for a question'). The considered wisdom is that it can only ever support transformation and change in an organisation; it can never be the sole driver of that change. Where this is attempted then the organisational change tends to be problematical, or to fail.

Are we at a point where that classic statement is starting to be challenged? Is technology now the precursor rather than the enabler? Do we need certain components of technology to be in place to enable us to become the finance function fit for the future? Do we need to have certain structures in place, such as data sharing or a data lake, to facilitate the next stage in the finance transformation journey?

In our conversations it was apparent that our approach to technology needs to change if we are to be successful in developing the next iteration of the finance function.

The challenge that technology is addressing is the need to deliver better value, more quickly and in a controlled manner. A plethora of related terms abound: Agile, Scrum, Lean, Six Sigma, DevOps and so forth. At the heart of each

of these is the need to adapt to the changing needs of the customer (whether an internal or an external customer) at a speed that meets market demand. The challenge is to do things more simply rather than complicating them – a challenging journey for any organisation.

So, what should I do?

- Define clearly what problems you are trying to solve and who your customers are.
- Identify the key metrics that identify changes in customer behaviour in real time, accepting that these will include both operation and financial data sourced from both within and outside the organisation.
- Enact a technology strategy for the organisation, including the finance function, using best-of-breed cloud-based systems.
- Optimise finance processes to ensure that they can deliver as near accurate as required real time information.

In order to achieve this effective real-time decision making, we need to have relevant and reliable data that is open to all.

78%
of survey respondents
accepted this hypothesis
as occurring between
the present day and the
longer-term horizon

2.2 TRUSTED DATA WILL BE OPEN AND ACCESSIBLE

Data is seen as being at the core of the organisation of the future. This hypothesis was accepted by 78% of our survey respondents as occurring between the present day and the longer-term horizon.

There can be little argument that the successful organisations of the future will have a keen eye on the data that they have and how it is used. Decision making increasingly focuses on understanding the trends (as explored in section 2.1). For this to be effective, however, the organisation

needs to consider how it approaches data. Increasingly we are seeing a shift in the data that organisations use. No longer is all data relevant to decision making generated by the organisation itself. We draw on sources of data from other organisations to allow us to perform more detailed analyses.

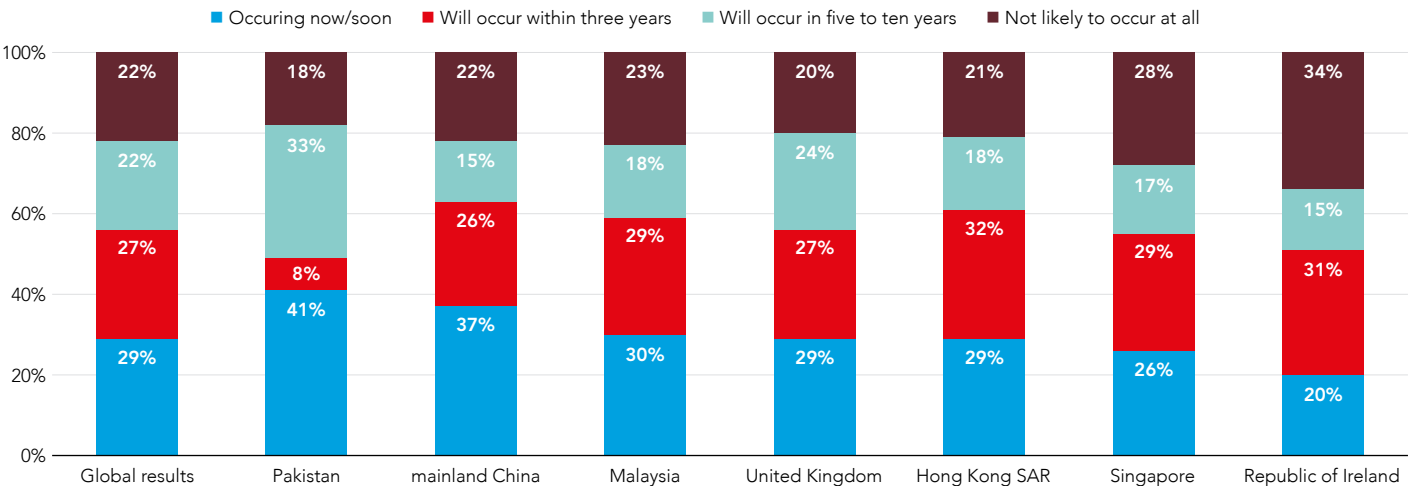
Of note in Figure 2.3 is that the emerging economies are perhaps more comfortable than developed ones with the use of data: 41% of respondents in Pakistan and 37% in mainland China say this is happening now compared with 29% in the UK.

Workshop participant observations



- ‘Poor data and legacy systems are preventing this evolution’.
- ‘The business still relies on finance as the source of data – finance should take a leading role in establishing standards, frame data control and assure integrity’.
- ‘Sharing and communicating can help getting better information but data should only be open to those who need it’.
- ‘People need the right mindset to understand that they are often the custodian and not the owner of data’.

FIGURE 2.3: Trusted data will be open and accessible – analysis by location of respondent



Increasingly there is no distinction between operational data and finance data; from a technical perspective, finance data is simply operational data that has a financial value attached to it.

A question of trust?

Yet it is the question of trust, of veracity, misalliances and gaining measures internally, that most exercised our workshop participants. Some felt that they were open to data being shared across organisations provided they decided with whom to share it. We are not yet at a point where we can 'trust' all individuals across the organisation. The ability to do so is key to the success of finance. This data flow, however, is not just from within the organisation. Increasingly we are able, and should, access external trusted data sources to provide depth in our analyses.

Are we realistic in assuming that all data can be open? Clearly not. Personal data clearly falls outside this category as governments increasingly focus on enabling data subjects to take control of how their data is used. We need to understand what data we need to use to make effective decisions. Several of our interviewees considered that there was an important role for accountants in maintaining control and integrity of data across the organisation as they have a view of the totality of the organisation that few, if any, other departments have.

Implications for planning, budgeting and forecasting

In Chapter 3, section 3.1 we consider the implications of these first two hypotheses on the planning, budgeting and forecasting cycles.

Governing data

Whether finance will assume the governance role over data was also questioned by those who participated in the research. What was not disputed was that finance does have a significant role to play in ensuring the cleanliness, and then the relevance, of data. This is a continuous process that needs to be managed. The use of analytics and AI tools means that the cleanliness of data needs to be maintained.

Few disagreed with the assertion that AI, machine learning and blockchain will form the basis of transactional processing. (ACCA has considered these in a series of reports *Machine Learning – More Reality than Fiction* (ACCA 2019) and *The Professional Accountant's Guide to Distributed Ledgers and Blockchain* (ACCA 2017)). The evolution of technology in the finance function is a core part of its future transformation.

Finance itself needs to review its approach to data. Increasingly there is no distinction between operational data and finance data; from a technical perspective, finance data is simply operational data that has a financial value attached to it. Finance therefore needs to play a more inclusive role in the governance of data overall.

This is not to say that data is less valuable if it is not open, rather it is to allow us to cross-correlate and better understand the relationships between data elements – to use tools such as machine learning to improve forecasting.

So, what should I do?

- Understand the key data that drives organisation and ensure appropriate governance over it.
- Initiate a culture change in data ownership across the organisation.
- Ensure that the finance function has access to sufficient and appropriate data management skills.

If we can achieve more trusted and open data within organisations, allowing us to recognise where external data is valuable in modelling the business, then we can truly move to generating better insights.



One of the biggest challenges organisations face in their aspiration to deliver open and trusted data is the responsibility which they have to protect the asset.

There is an undeniable trade-off between openness and confidentiality. Achieving the right balance between enabling data to be leveraged whilst not gathering, using or even disclosing details which could be of a private or confidential nature, is a constant juggle and one which organisations must pay due and constant attention to.

With the advent of the GDPR (General Data Protection Regulation), which came fully into force on 25 May 2018 across the European Union, there has been a significant increase in the focus on privacy issues, but, for the finance function, the issue of confidentiality should not be underestimated.

Whether it is confidential and hence commercially sensitive data such as pricing metrics or the assessment parameters being used to determine where you next store will be opened, or privacy issues such as your customers' names and addresses and purchase histories, governance and control needs to be built in throughout the entire data lifecycle and effectively and repeatedly communicated to all those involved.

It is vital that management design, implement and track appropriate governance and control metrics. Having internal controls and following through on non-adherence to your internal data policies, and being seen to do so, is key to ensuring people understand that data is an asset that must be looked after.

If a full governance model, including clarity of roles and responsibilities, is not defined and enforced then trust and confidence in your data can be eroded quickly – both internally and externally. A loss of trust and confidence can in turn result in negative financial impact. This means you need to ensure that your suppliers also understand the expectations which you have in relation to data.

Implementing a governance model is not about saying no to the use of data, it is rather about minimising risk. Think of it as putting a warden in charge of your data rather than a police officer – you are not stopping people using the data you're just helping them do it safely. Individuals need to understand the benefits and the risks which data can provide and the principles of use which apply in their industry and their organisation. For example, in mail order businesses, the volume of returns is a key competitive metric but one which it is essential the business tracks and reports on.

It can be useful to address the following four stages of the data lifecycle in your governance model:

1. **Gathering:** how you acquire data, including data you derive
2. **Management:** how you keep your data secure and up to date
3. **Use:** who can access what data and for what purpose and what duration
4. **Retention:** how long will data be retained and where?

One key step which is missing in many business is the definition of roles and responsibilities in relation to data (e.g. via a RACI – Responsible, Accountable, Consulted and Informed – model). The roles and responsibilities defined should be linked through the full lifecycle.

In order to derive maximum business value from your data assets there are some other key issues worth addressing:

- Finance are unquestionably custodians of your businesses performance figures. However, one of the most debated issues in data is "who owns the customer?". Whatever the response, finance need to play a key role in defining "who" the customer is. Establishing clear and consistent definitions and metadata for key data items such as a customer, delivers benefits that far exceed the negatives associated with poor data principles and standards.
- Today, the cost of data storage is minimal and hence doesn't serve as a useful trigger for data minimisation. People tend to gather and retain data just because they can, not because it is entirely necessary. The result is both data redundancy and data duplication. This is where inaccuracies creep in.
- Successful organisations have oversight of data throughout its lifecycle and fully understand the concept of 'rubbish in – rubbish out'. It doesn't matter if it's through a natural business process or through published information – the process of acquisition of data needs to have strong controls. Effective gate-keepers in the "ingestion" or "on-boarding" of data can ensure you don't undermine the trust and confidence in your data through the introduction of poor quality, inaccurate or unlawful data.

Organisations with data governance methodologies covering the whole data lifecycle stand out. In today's data driven world managing your data assets effectively is like having a secret recipe for success. There is amazing content in data which is multiplied many times over if the data is managed effectively and consistently. For the CFO gone are the days of only having access to 'month-end' data points.

With the right process, controls & responsibilities in place throughout the data lifecycle, you can add enormous value and opportunity to your businesses. One question CFOs should ask themselves is whether their role places them in a unique position to take on the responsibility for all data (financial and non-financial) in the organisation. This responsibility shouldn't be taken lightly though as the sheer volume of data and data sources the organisation is looking to leverage goes way beyond traditional "core financial" data CFOs are used to handling. ■



Fedelma Good, Director, Data Protection Strategy, Legal and Compliance Services
Fedelma is a Director and a member of the leadership team in PwC's Data Protection Strategy, Law and Compliance Services team.

72%

of survey respondents accepted this hypothesis as occurring over the next ten years

2.3 FINANCE TEAMS WILL SPEND ALL THEIR TIME ON FORWARD INSIGHT NOT REARWARD REVIEW

The emphasis in this hypothesis is that finance will spend ‘all’ their time on forward-looking insight and none on rearward-looking activities, putting less emphasis on historical reporting and more on finding patterns informing future decisions. This engendered a significant debate in the workshops, and 72% of our survey respondents saw this as occurring over the next ten years.

This hypothesis represented a culmination of the others for many. Many felt that this represented part of the shift relative roles of finance from scorekeeper to decision support (this is considered further in later in this section).

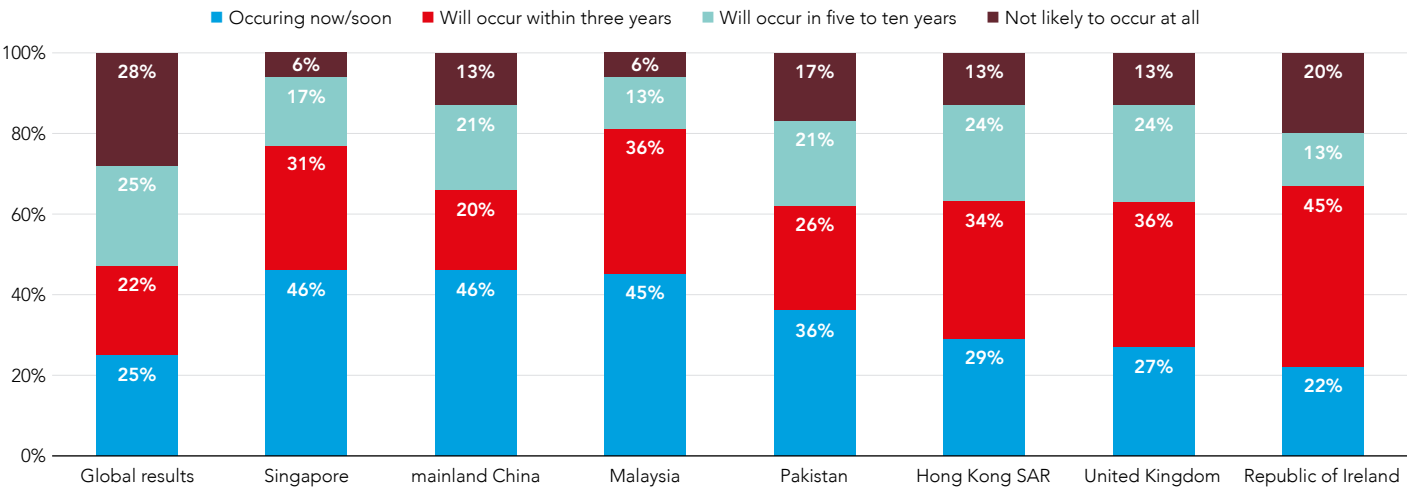
In the survey the UK and Republic of Ireland respondents appeared to be more conservative in their views, yet for many e-retailers, online-based businesses and start-up organisations, this is one of their keys to success. In this light, the ability of finance to reinvent itself is a significant factor for remaining relevant.

Workshop participant observations



- ‘Are Finance people equipped with enough commercial capability to generate insights that go beyond just the numbers? Can finance be a trusted business partner?’
- ‘Is finance in five years just strategy and marketing?’
- ‘Finance needs to spend more time on checking for blind spots and identifying correlations’.
- ‘Reducing cost of technology will speed up pace of change but right now it is still a barrier, data is dispersed and volumes are an issue’.
- ‘The future generation is willing to drive this change’.

FIGURE 2.4: Finance teams will spend all their time generating forward insights – analysis by location of respondent



In practice, in today's atmosphere of heightened accountability, finance professionals must take ownership and responsibility for the numbers they produce.

The relevance of the past in relation to the future

Many of our workshop participants and interviewees stressed that, for them, understanding the past remains a useful guide to predicting the future. There was a consistent feeling that if we rush too much into concentrating on forward thinking then we will lose sight of what brought us to that position. Therefore, to say that all the time will be spent looking forward is a step too far.

We cannot ignore that one of the key factors in making an organisation successful in the current environment is the ability to understand and use the data that it has accumulated to its advantage. Consumers and customers are increasingly fickle in the way they behave. As consumers, we do not readily accept poor performance of services.

To use data to our best advantage we need to optimise our technology strategy. It is probably not good enough for the finance team to claim that using disparate systems is a reason for not being able to deliver insight. Decision outcomes are very often not changed whether the data is 80% accurate rather than 100%. Instead, we need to invest in aggregation software that brings together various data sources and enables us to present information effectively.

Does this shift have an implication for the activities that finance undertakes?

The shifting balance in finance activities

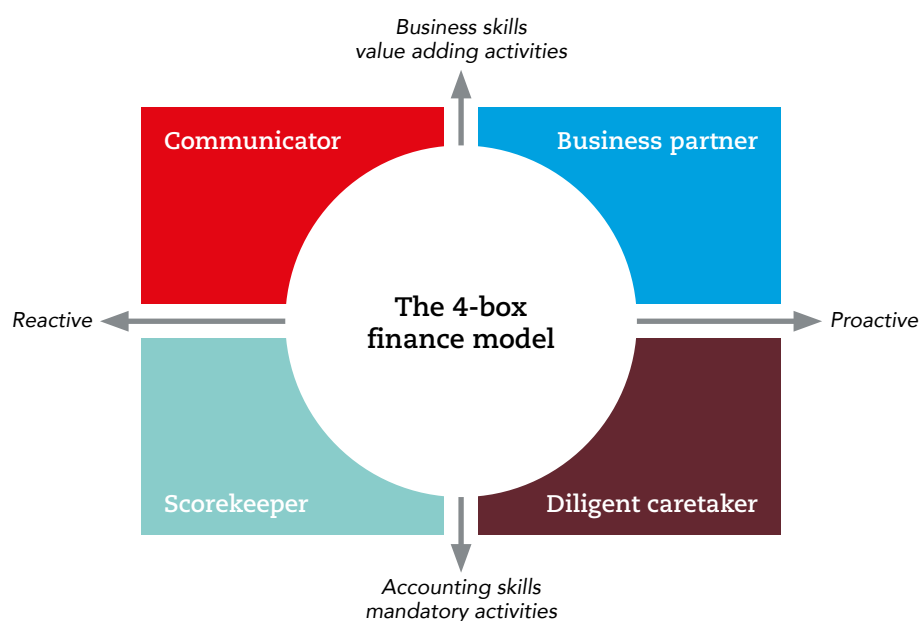
In the ACCA / PwC report *Market Change is Faster than Ever – Is your Finance Function in the Race?* (ACCA/PwC 2016) we introduced the concept of four potential groups of finance roles (as shown in Figure 2.5). These represented views of how the finance function could potentially develop.

Score keeper/Diligent caretaker –

these roles focus on core accounting activities, seeking process efficiency and monitoring against regulations and standards. In practice, in today's atmosphere of heightened accountability, finance professionals must take ownership and responsibility for the numbers they produce.

This means the **scorekeepers** must now become **diligent caretakers** – trusted by the business to ensure rigour in the data and processes they manage, while improving efficiency and reducing cost, often through use of shared service centres. Are the score keeper and diligent caretaker roles at risk of being replaced by software robotics and AI systems? For years, the consolidation of routine processes into shared service and/or outsourcing have been proven to drive significant cost reductions.

FIGURE 2.5: The finance four-box finance model



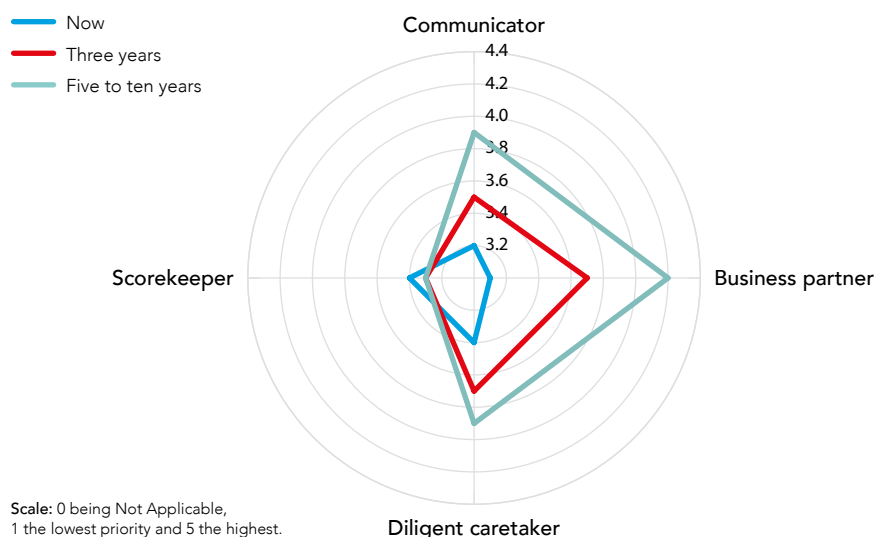
The communicator and business partner groups are closely aligned to the insights and strategic goals expressed in hypotheses related to real-time decision making and the focus on forward planning.

Communicator/business partner – these roles shift focus from **communicating** the results of transactions and reconciliations to insightful analysis and a seat at the decision-making table to drive strategy. This process of moving finance up the value chain requires an efficient organisation structure that releases capacity for teams to focus on business-facing activities. The final step is for finance to become a true **business partner** – achieved by aligning behaviours, building the right skills, and being able to speak the business's language.

As part of this research we wished to explore the transitions of roles, within these respective groups, as the transformation of finance took effect.

Overall (as shown in Figure 2.6), all the groups of roles, except for the scorekeeper, are thought to increase in priority over the coming 5 to 10 years. The communicator and business partner groups are closely aligned to the insights and strategic goals expressed in hypotheses related to real-time decision making (Section 2.1) and the focus on forward planning.

FIGURE 2.6: The shifting balance in finance activities: the finance four-box model



Invest in business partnering skills that can be leveraged at both strategic and the tactical levels across the organisation.

When we analyse these by country, we start to see some significant shifts as the role of the accountant develops in the economy. As examples we compare the responses from mainland China (Figure 2.7) to those from the Republic of Ireland (Figure 2.8).

Here we see the strength of the communicator and business partner groups of roles grow in importance, in contrast to Republic of Ireland (Figure 2.8) where the scorekeeper role diminishes over the next 10 years.

The achievement of insight requires a broadening of skills by the finance team. How we work within the business to deliver these insights was the subject of the next hypothesis.

So, what should I do?

- Believe in the law of diminishing returns; move away from 100% accuracy premium.
- Develop a data management strategy to overcome the legacy of disparate systems and processes and invest in systems that can aggregate existing data sources.
- Include investment in automation tools in the finance component of the technology strategy.
- Invest in business partnering skills that can be leveraged at both strategic and the tactical levels across the organisation.

If the focus of finance changes what are the implications for skills and career paths?

FIGURE 2.7: The finance four-box finance model – mainland China

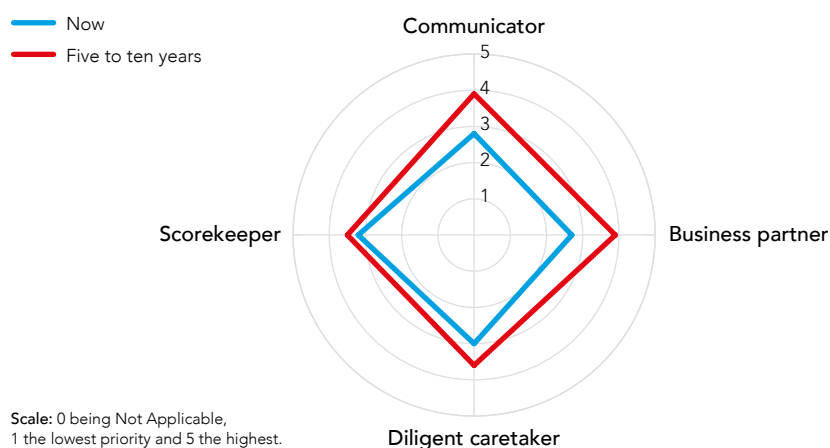
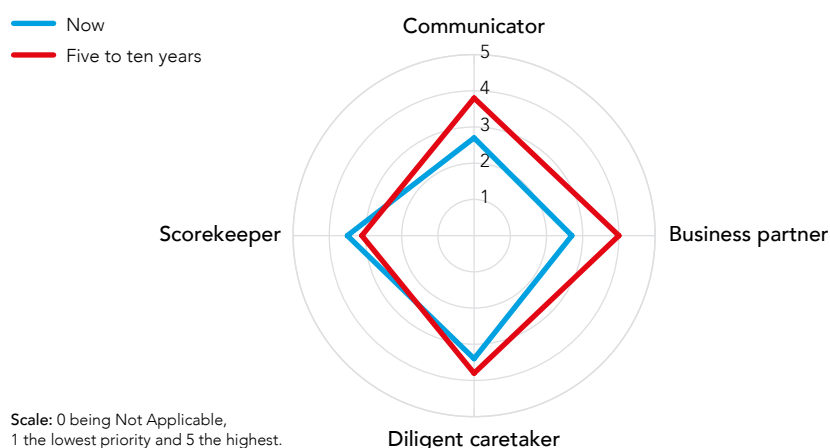


FIGURE 2.8: The finance four-box finance model – Republic of Ireland



22%

of survey respondents agreed that soon, new roles and new skills were likely to be needed in the finance function

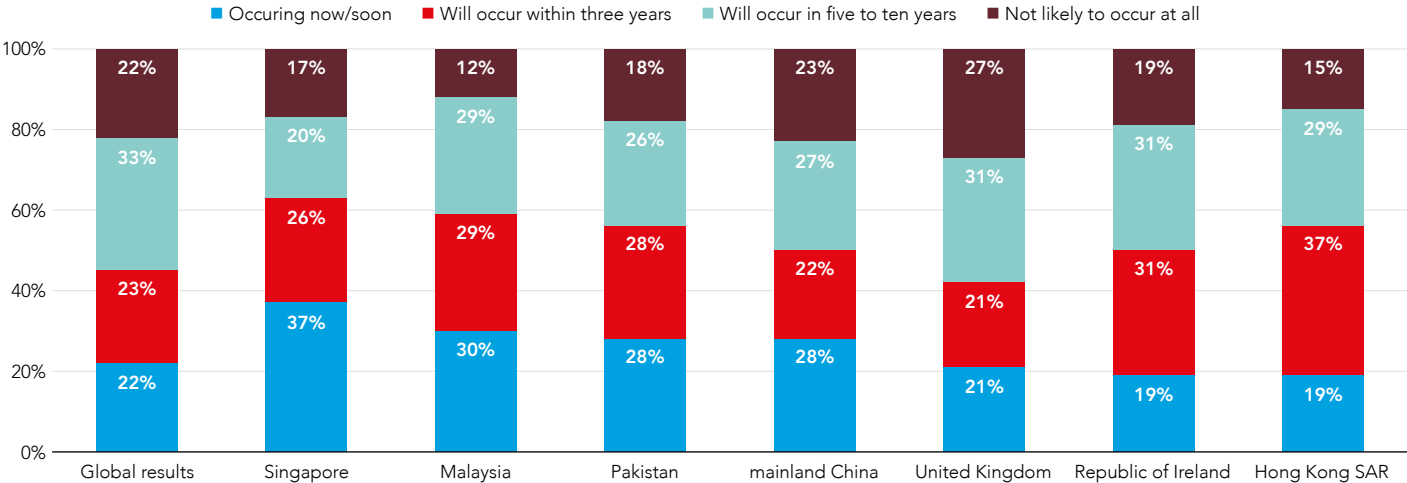
2.4 NEW ROLES, SKILLS AND CAREER PATHS WILL BE NEEDED

If we are bringing financial skills closer to the business by increasingly supporting forward looking decision making, then this will clearly change the skills that the accountant needs, as well as their future roles in the organisation: 22% of our survey respondents agreed that soon, new roles and new skills were likely to be needed in the finance function. There has been a growing realisation that the successful accountant of the future will have extensive interpersonal skills to complement their deep technical knowledge.

Yet overall, 23% thought it would not really happen even in the longer term (Figure 2.9). This suggests that finance potentially needs to rethink its talent pipeline and invest significantly in its people to achieve this aim. Is there an element of denial about the level of investment needed? Or are we simply uncertain about where to invest?

If we consider the geographic split of the responses as shown in Figure 2.9, it is those in the Asian economies whose responses indicate that they are furthest along being confident in the skill-development path.

FIGURE 2.9: New roles and skills for finance – analysis by location of respondent

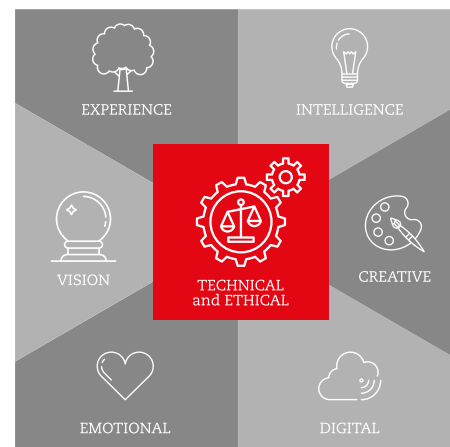


While accepting that there were new roles and skills needed, they argued that these, along with robust career pathways, have to be attractive to the generations entering the workplace.

ACCA's report *Professional Accountants – the Future: Drivers of Change and Skills* (ACCA 2016) identifies seven quotients for the future success of the accountant. These reflect the broadening of the skill set to include more interpersonal (or so-called 'softer') skills as well as the core technical and ethical capabilities (Figure 2.10).

Many of our workshop participants were concerned about the talent agenda. While accepting that there were new roles and skills needed, they argued that these, along with robust career pathways, have to be attractive to the generations entering the workplace. There was a strong view that the profession must stress the attractiveness of the career opportunities that are opening up.

FIGURE 2.10: ACCA's professional quotients for success



Workshop participant observations



“This is definitely happening already; there is a need for people that can ‘communicate’, take data from the past and present, and turn that data into actions’.

‘Finance needs to show what it can do – influencing skills and constructive challenge are hard to find’.

‘Finance mindset needs to be geared towards better risk management’.

‘The kind of talent we need is people who have the ability to learn constantly. This has nothing to do with age’.

‘We need people who can specialise in multiple areas’.

‘Fear is preventing change – someone has to facilitate the transition’.



SKILLS IN THE FINANCE FUNCTION

Helen Tuddenham, PwC, United Kingdom



To address the challenge of identifying skills and talents for the future, we first need to clarify the purpose of the finance function. Once we have a clear purpose or ethos developed by our finance leaders, we will then be able to start identifying and hiring skills for the future.

Hiring people with the right mindset, as well as their skills and talents, will be crucial to successfully embracing the future. Being curious, connecting ideas, taking risks and allowing people to learn from failures will all be important assets in the future finance function. What we will start to see is leadership incentivising people to think and behave differently – to take risks and be more progressive.

Historically, the finance function has been the place for “risk averse” people to build their careers. CEOs always want a “safe pair of hands”. However, in the future, a lot of that work will be automated via robotics and AI, so there will be much more focus on insight and decision-support. There will still be a need for the deep technical experts on AI, robotics or data analytics; however, more importantly, we will need people with the right mindset. Businesses who are able to extract insight from their finance function’s use of data, will be able to gain competitive advantage over their competitors. This is driven by both enabling technology, and upskilling people to work with that technology effectively.

The core set of skills will remain the same – communication, collaboration, influencing others, project management – those skills will not disappear. The distinction between technical and commercial finance will become less obvious as decision-making and business acumen become more useful to the way that the finance function operates and maintains its relevance to the business.

The specialisms which we usually see in finance functions will also need to address the opportunities of new technology. Their skill set, whilst specific, will also need to focus more heavily on strategy, decision-making and advice – and in that sense, organisations could start to move towards a more contingent workforce in the future to get specific tax or treasury support, because it might not be cost-efficient to employ these types of skills all year round.

Setting expectations – from top down – will be key to promoting the skill growth as technology in the finance function evolves. Many of the people in the finance function will have seen little change in their careers – and so if the executive can communicate the strategy of the business and finance function

effectively – then people can start to see how their skills will need to broaden. Showing people what the roles of the future might be – will challenge employees to take responsibility for their own development.

A learning culture is also key – showing curiosity both inside and outside the organisation – about what strategies and approaches are effective – and then transferring them into the finance function for performance improvement. All of this has to take place within a structure of learning – built by leadership – so that employees can see the benefits of capturing their development. Learning delivery mechanisms will need to involve more than simply classroom-based learning – as people will want more diversity in their experiences, finance functions will need to incorporate secondments to the business and customers or suppliers to further enhance their people for the future.

In this sense, career paths will also continue to evolve – in line with the “macro” trends we are seeing globally (flexible working, life expectancy, lifelong learning). Career paths will be difficult to predict more than two to three years in advance. Pathways will move further away from the formal route – and having mechanisms to allow people to ‘step on’ and ‘step off’ their career paths will enhance the value of the people in the finance function. Organisations will start to think about what broader skills they want their employees to have, no matter which part of the business they sit, and then allow that fluidity between finance and the rest of the business. Any additional specific skills could be learnt on the job, for example.

Companies who articulate specific career “stories” in the finance function to the rest of the business and the function – showing career possibilities – have proved already to be successful in helping their people define their own future. The successful finance people of the future will not necessarily have grown up inside the function, but may actually come from the operations and sales side of the business – or have spent a significant chunk of their careers outside of finance. It will be those experiences on the front line of the business which will provide the key business acumen needed to lead the finance function of the future. ■



Helen Tuddenham,
Learning & Behaviours, PwC

Helen is a Director who leads the Learning and Behaviours practice. She focuses on assessing and measuring trust, behaviours and culture for a broad range of organisations in both the public and private sector.

The reality of the pace of change is that half of what we have learnt today may well be irrelevant in three to four years, in contrast with the 10 or more years at the turn of the century.

Fresh skills and fresh challenges

The reality of the pace of change is that half of what we have learnt up to today may well be irrelevant in three to four years, in contrast with the 10 or more years at the turn of the century. We constantly need to refresh and reinvigorate not only our technical but also our interpersonal skills. This has clear challenges for the individual and the finance function. We need to 'unlearn' as rapidly as we learn.

In ACCA's report *Learning for the Future* (ACCA 2018) we explored the need to evolve skills on a continuous basis, to continually develop competence to address the workplace need. This is an issue that affects not only those joining the profession but also, perhaps more crucially, those who have had finance roles for several years. The concept of needing to refresh our skills on a continual basis, to reinvent oneself every two to three years, is a challenge. Yet that is what is needed.

Becoming more entrepreneurial

We speak a lot about entrepreneurial skills, Peter Drucker reminds us:

 *'The entrepreneur always searches for change, responds to it, and exploits it as an opportunity.'*

Our workshops and interviews indicated a clear need for financial acumen to be embedded across organisations if they are to be successful.

Across the hypotheses we see a trend in how the workplace is organised. The traditional departmental structures are breaking down. Commentators such as Josh Bersin, in his article 'The New Organization: Different by Design' (Bersin 2016) foresee a workplace built around deep skills and capabilities that can respond to the challenge that AI brings. People need to differentiate themselves by offering deeper expertise, analysing and interpreting the results of the deep learning algorithms, becoming more entrepreneurial in the sense of working across teams to provide expertise where and when it is most needed, hence embracing the concept of a virtual, dispersed, function (see section 2.5).

Data skills are fundamental

The discussion in the workshops focused on two specific areas of concern to the finance professionals: the relationship between finance and data, and the role of business partnering in the finance function of the future.

Throughout the workshops, participants accepted the importance of data in opening insights in organisations in ways that have not been possible before. Yet it is the balance of skills that the finance professional needs now, and in the future, that is key. For many, what creates this balance was a significant and unanswered question. Finance teams clearly have a role to play in the governance of data. Whether they are the sole governors was questioned by many. What we need is to be able to understand and appreciate the relationships inherent in the many data sources.

This depth of data and analysis that is becoming possible, together with the need to embed financial acumen across the organisation, challenges the traditional view of business partnering. It is essential for finance professionals to become strategic partners, moving business partnering up the value chain and participating in effective decision making.

This may mean that we need to think again about how finance is organised. For many of our interviewees and workshop participants, the sense that financial skills needed to be spread across the organisation was becoming the next essential reality.

So, what should I do?

- Reappraise the skills mix needed for the successful finance function, accepting that no one individual needs all the skills – it is the team that matters here.
- Reappraise career paths and ensure that development paths reflect the opportunities that the organisation can offer.
- Promote a culture of learning to ensure that finance team members have the relevant skills to address business needs.

65%

of survey respondents agreed that a change in structure within the organisation was likely to occur.

2.5 THE FINANCE ORGANISATION OF THE FUTURE WILL BE VIRTUAL

This hypothesis presented challenges for several groups, however. The nature of a 'virtual function' was challenged. Some interpreted it as implying virtual, or flexible, working. This was not the intended interpretation.

Rather, the objective of the hypothesis was to focus on how finance skills will be used in a wider context across the organisation. For many organisations, the use of financial acumen across the range of activities was key to strategic success. It is this latter interpretation that the hypothesis, as designed, focused on.

Overall 65% of our survey respondents agreed that a change in structure within the organisation was likely to occur.

Figure 2.11 below shows that it may be rather sooner in the East than in some countries in the West where almost half of all UK and Republic of Ireland respondents said this would never occur at all.

Many of our workshop participants agreed with this hypothesis. They cited examples of where financial skills were being broadened across the organisation as finance became more integral to strategic decision making operating as integral parts of cross-departmental teams. Whether this would lead to the loss of the true physical finance function was debated. There was agreement on the need for centres of excellence, or, rather, centres of expertise, to be maintained and reinforced for areas such as treasury and reporting (see Chapter 3 section 3.3).

Workshop participant observations



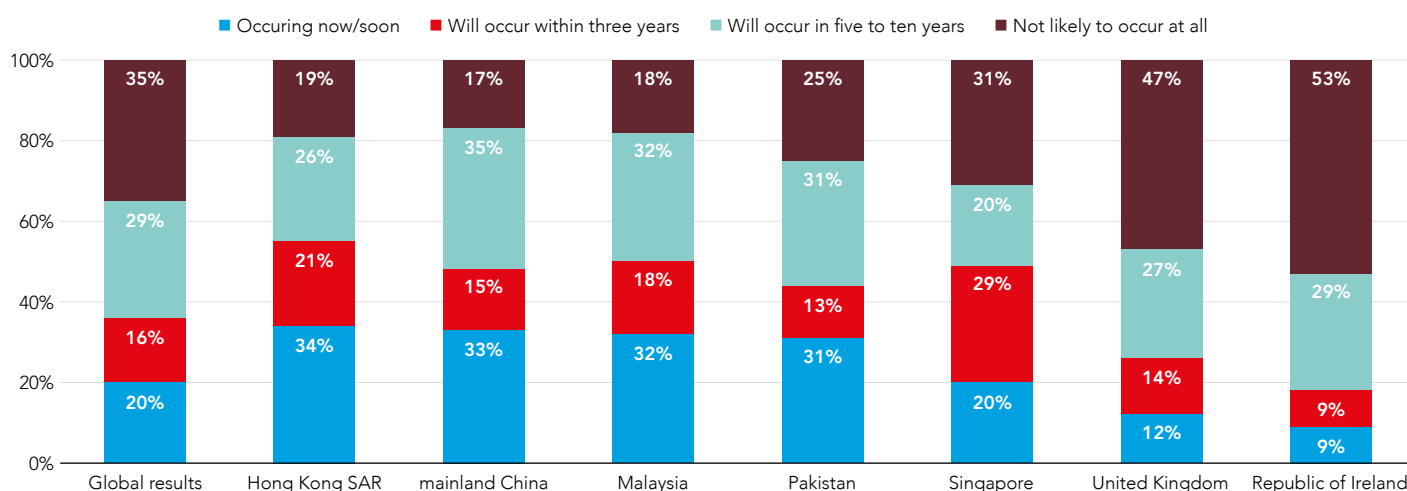
'It is more likely that we will have a 'smaller' finance team than a virtual one'.

'Core processes will be increasingly automated but finance will not disappear – we will need more and more of high-end, knowledge-level and legal support on site'.

'We aren't empowering people enough in the digital space; we need to address how to integrate the digital and physical workforce better'.

'Finance cannot be isolated – if the organisation changes, finance needs to change too'.

FIGURE 2.11: The finance organisation of the future will be virtual – analysis by location of respondent



The overall impression from the workshops and interviews was clear: finance skills have an important and growing role to play across the organisation.

Evolving organisation structures

It is interesting to note the differences in responses from the UK and Republic of Ireland (as shown in Figure 2.11) against the more emerging economies. While in our workshops in both countries there was sense of development in the way that finance is structured, it also underlined some of the cultural challenges that exist in more traditional organisations in changing the mindset of finance professionals and the organisational leadership overall. The level of resistance to evolution may be symptomatic of the UK's overall low productivity issue.

The overall impression from the workshops and interviews was clear: finance skills have an important and growing role to play across the organisation. No longer can financial acumen be hidden in the traditional function. Successful business decisions are increasingly made in response to fast-moving business trends.

Financial appraisals closer to these decisions, embedded in the workplace, are essential. The successful accountant in the business of tomorrow will be somebody who blends deep business skills with strong financial acumen.

So, what should I do?

- Appraise finance organisational structure and create a flexible model that recognises expertise in different areas.
- Embed a more agile working culture that can deploy finance skills across a range of projects.
- Reappraise location strategy and ensure that finance competence is located as an integral part of the decision-making process.

60%

of respondents in mainland China and Malaysia said the CFO role would definitely and significantly change within the next 10 years

2.6 THE TRADITIONAL CFO ROLE WILL NO LONGER EXIST

This theme differed from the others in that it explored the role of finance leadership. There was a strong belief among our survey respondents that the CFO would remain a central role in the organisation. Yet, if you consider the geographic splits between the responses, perhaps surprisingly, over 60% of respondents in mainland China and Malaysia said the CFO role would definitely and significantly change within the next 10 years (Figure 2.12) compared with 57% and 60% for the UK and Republic of Ireland and 60% for the UK and Republic of Ireland

Ireland who said it wouldn't. Perhaps the intriguing contrast was between Hong Kong SAR and mainland China.

Our workshop participants and interviewees were less convinced that change was not likely. Many saw an evolution with the financial reporting role remaining key but with the need to manage both internal and external stakeholders being increasingly significant. With the evolution of financial acumen across the organisation, the impact on the CFO as the strategic financial adviser to the board cannot be ignored.

Workshop participant observations



'The CFO is increasingly a risk manager and [the role] is becoming more like the COO's role – future generations will need to be more technology aware to deliver on their changing accountability'.

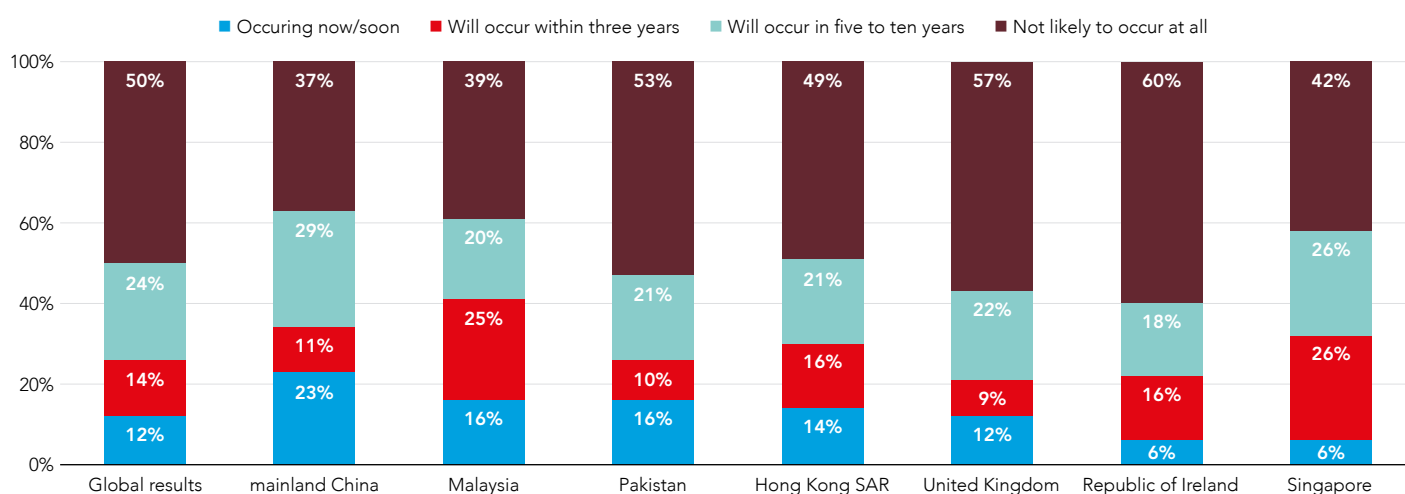
'CFOs can explain complex data to the business; the ability to interact and manage those internal and external stakeholders will become core'.

'The direction of travel is definitely more strategic but responsibility for numbers will not go; regulators will always require someone [to be] "responsible" for the accounts'.

'Ethics and governance will be key differentiators'.

'What training will be required for successful leaders of tomorrow?'

FIGURE 2.12: CFO role will no longer exist – analysis by location of respondent



Our survey data seems to indicate that respondents expect the role of the CFO to broaden in the coming years.

To take this further, we explored in the survey three dimensions of the CFO activity so that we could understand more about the transition, if any, that is occurring.

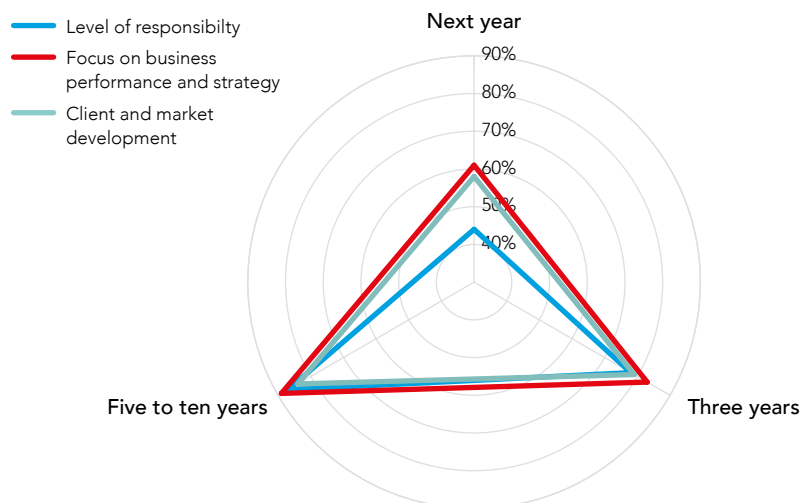
In our survey, we asked how the role of the CFO will evolve in the next 10 years (Figure 2.13). We focused on three dimensions: the level of responsibility, which showed a significant shift; the focus on business performance and strategy, which although increasing was not as marked; and finally, client and market development, where the pattern was very similar to the business performance category. Our survey data seems to indicate that respondents expect the role of the CFO to broaden in the coming years.

So, what should I do?

- Appraise the development paths of the high-performing finance professionals to ensure that the leaders of tomorrow have the relevant skills.
- Create career paths for high-performing finance professionals that include both operational and finance experience.
- Invest in agile leadership skills for senior finance team members.
- Reappraise the internal organisational structure to bring finance closer to strategic decision making.

In the next section, we suggest a possible model of the future finance function and offer recommendations for those who intend to successfully embark in that journey of change.

FIGURE 2.13: How significantly do you think the role of the chief financial officer will evolve in the future? [Mean scores]



3. A 'to-be' model?

3.1 TOMORROW'S FINANCE FUNCTION

So, what might the finance function of the future look like in organisational terms?

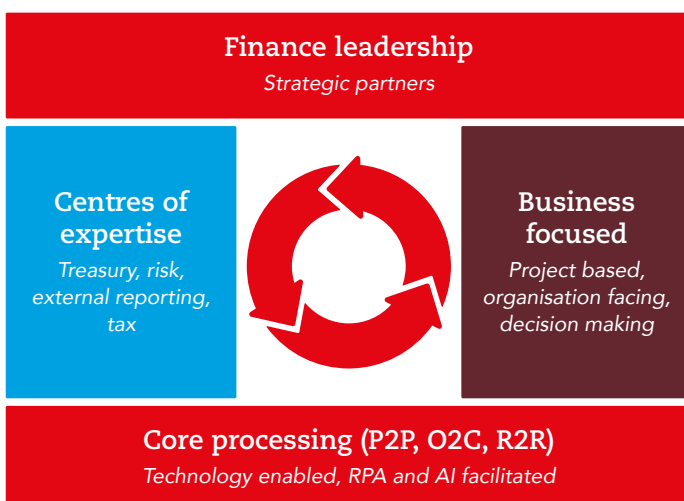
While the design in Figure 3.1 is not radical, the finance function of the future will be characterised by different emphases on the resources deployed. Automation will require less human effort in core processing and, as systems evolve, less effort in reconciling disparate data sources. Centres of expertise will bring deep technical knowledge to bear where needed in a collaborative working environment.

The greatest emphasis among finance professionals will be on understanding the data and the information those convey, playing an active role in decision making at the top. This is probably the area where the greatest human resource will be deployed.

Finally, the role of the CFO as strategic financial adviser will continue to evolve and grow, with business partnering skills forming a key part of finance professionals' portfolio.

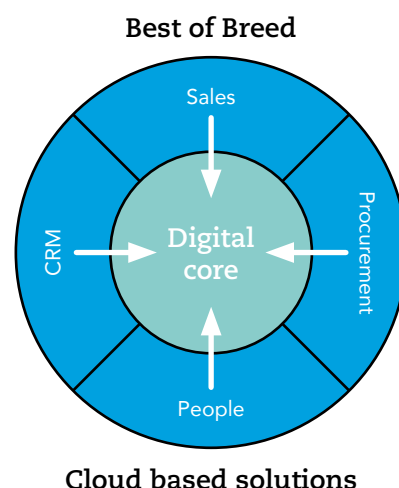
The advent of cloud-based applications is changing how we think of financial and operational systems. The monolith comprehensive applications such as the ERP solutions of the 1990s and 2000s are being replaced. Cloud-based 'best-of-breed' applications that focus on excellence in a process and connect using application programming interfaces (processes used to extract data from one application or system and passing to another) are developing as a real alternative. This is the concept of the Digital Core, as shown in Figure 3.2.

FIGURE 3.1: A finance function of the future?



Source: ACCA

FIGURE 3.2: An aspiring systems architecture – The Digital Core?



The traditional focus on financial accounting processes needs to swing towards a more management accounting and operational focus.

The challenge is the change in the internal control framework that this may imply. No longer do we need to reconcile data from one system to another – the month-end procedures based upon manual processes evolve to a constant close process where 'month-end' reports can be run at any time with the same degree of accuracy.

Real-time planning, budgeting and forecasting – the next frontier?

In his book *Implementing Beyond Budgeting: Unlocking the Performance Potential*, Bjarte Bogsnes, who was interviewed as part of this research, raises questions around the implications of these trends on decision making (Bogsnes 2016). He considers whether the current focus on fiscal year driven planning and budgeting cycles, are realistically needed in the finance function of tomorrow.

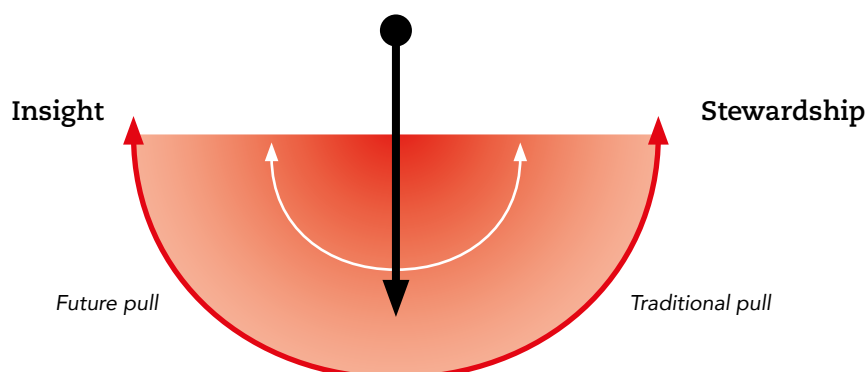
Besides this, Bogsnes questions whether we have too rigid a focus on a set of key performance indicators (KPIs) that we then translate into performance management targets for individuals? This draws a distinction in our approach to the management of metrics. As Bogsnes rightly points out in his book, KPIs are not 'KPTs' – key performance *truths*; a fixed reality. In the era of real-time decision making, should we start to challenge the traditional ways of measuring performance and the processes that we use to evaluate the success of the

organisation? In the world of volatility, uncertainty, complexity and ambiguity (the so-called 'VUCA' world), we need a cultural change to think differently about how we approach decision making.

In our rush to real-time decision making we should not forget the importance of understanding leading and lagging indicators. Lagging indicators typically focus on reporting output and are comparatively easy to measure. Leading indicators are input orientated and harder to measure yet may give us more opportunity to enact responsive measures in the fast-moving world. What truly gives us a view of future performance and past trend? This is something that we need to master.

Stephen Dowling of ETM in Australia, suggested that we are seeing a change in the balance of the finance function. The traditional focus on financial accounting processes needs to swing towards a more management accounting and operational focus. To enable superior performance and the evolution of more agile & lean organisations, new and better ways of working (and thinking) will get embraced by organisations. In doing this they will need a new type of management-accounting operating model to support control & decision making in a very fast-changing world (as demonstrated in Figure 3.3).

FIGURE 3.3: The changing balance for the future finance function



The speed of change for finance, the recognition of the need to redefine the culture and to be adaptable and flexible is essential for future success.

Complexity is not an excuse

Amid all this change there is a temptation to stand still, but that is not an option.

The speed of change for finance, the recognition of the need to redefine the culture and to be adaptable and flexible is essential for future success.

Those who seize the opportunity win the day.

So, what should I do?

- Reappraise the budgeting and forecasting processes to move away from annual cycles.
- Critically appraise key performance drivers, leads and lags to ensure that they measure the potential for a disruptor entering their market.
- Ensure that finance competence is at the core of strategic decision making.

3.2 THE MACRO LEVEL CHANGE: ARTICULATING PURPOSE AND CULTURE

Articulating the purpose

One of the most significant challenges for the finance function is to determine what its purpose is within the organisation. As we have seen from our survey results, there is a shift emerging in ideas about the role that finance will play in many organisations. The swing from scorekeeper to proactive adviser is one that many respondents and workshop members recognise as already happening.

This raises the question of how we should define the purpose. Firstly, it is important to define the purpose of the organisation itself. It is only by defining this are we able to define the purpose of finance, which is a component of the overall purpose. We can define purpose as 'the reason for being'.

John Baldoni, in his book *Lead with Purpose* (Baldoni 2011), notes that it can be identified by understanding the:

- vision – what we want to become
- mission – the 'what' of the organisation, and
- values – the culture, including ethics and integrity.

If we understand this at the organisational level, then we can define how finance contributes to this and consequently what skills and resources we need in order to address this need.

All too often, finance teams become focused on the measurement of performance at a detailed level, often through a complex matrix of KPIs and balanced scorecards. Yet, as Bjarte Bogsnes argues, understanding the key attributes and monitoring the achievement of the purpose can refocus finance into providing true insight into past and future performance (Bogsnes 2016).

The increasing complexity of the business world challenges our understanding of performance. Traditional motivators are being questioned. For many organisations, our performance cycles, both at the operational level (as measured by KPIs and balanced scorecards) and the personal level (evaluated through annual reviews), focus on the actions of the individual. We motivate, typically, by rewarding good individual performance. Yet organisational performance is greater than the sum of the individual parts. As an example of this, Daniel Pink, in his book *Drive: The Surprising Truth About What Motivates Us* (Pink 2009), argues that there are three motivating factors:

- **autonomy** – our desire to be self-directed, increasing engagement over compliance
- **mastery** – the urge to get better skills
- **purpose** – the desire to do something that has meaning and is important. Businesses that only focus on profits without valuing purpose will end up with poor customer service and unhappy employees.

Gone are the days of completing one change cycle. We now need to be adaptable to manage constant change and see it as an opportunity.

Managing constant evolution

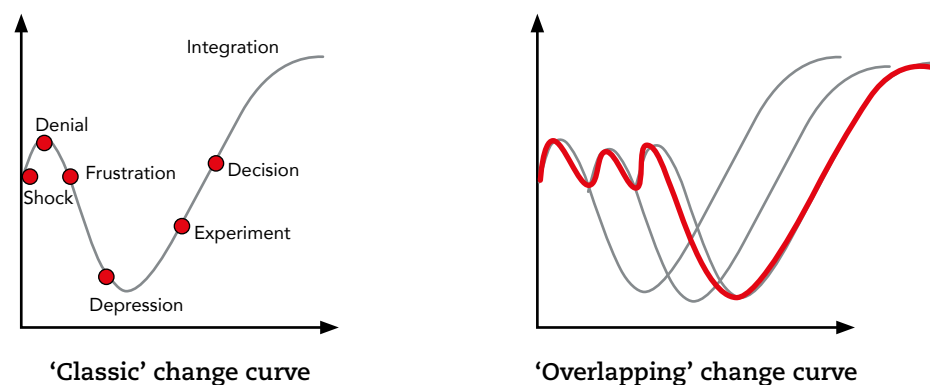
We can appreciate from the evidence gathered from the hypotheses and the related discussions that any organisation is now on a rapid change journey. The pace of change may not be entirely under our control, as social and political factors influence the speed of evolution. Nor can we expect one change process to be fully complete before the next begins. Overlapping change cycles are a reality and our challenges include managing organisational performance during this period (see Figure 3.4). How to manage evolution in such a changing world? Chris Box from PwC Finance Advisory suggests positively framing messages internally as a very critical first step (see the article in this section).

At the core of navigating these change cycles is establishing the purpose of the finance function as part of the overall purpose of the organisation. This also requires a fresh approach to the culture of finance and how it can be made flexible and adaptable.

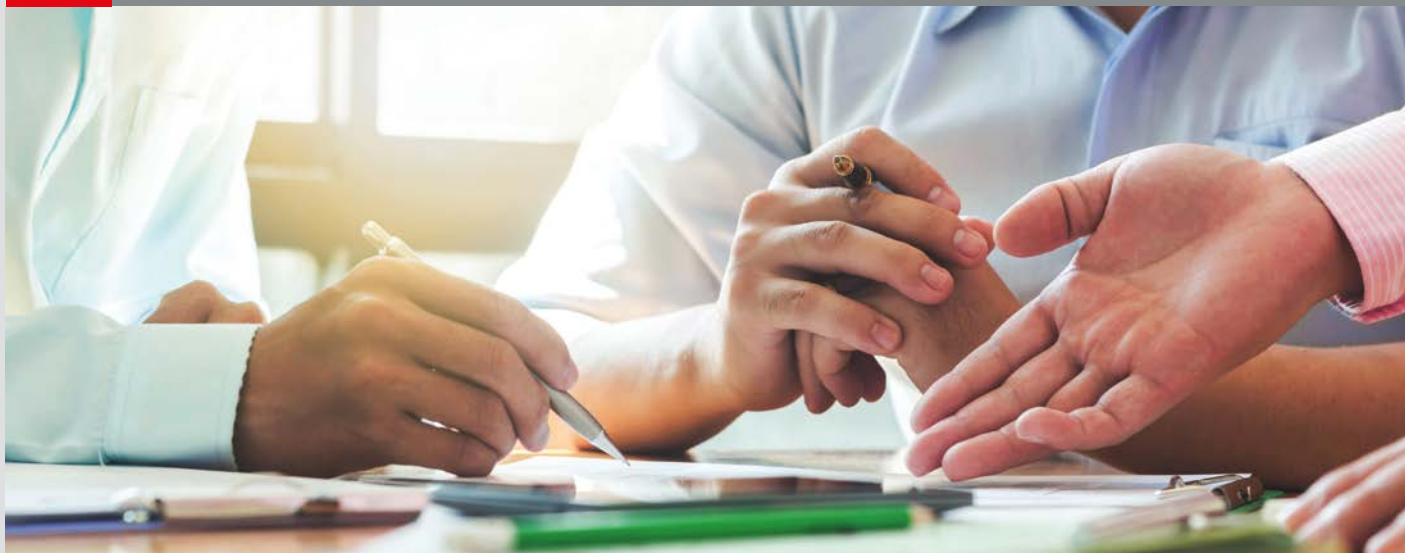
One of the key enablers in achieving this transformation in finance is to address the culture. Finance cultures that have developed around traditional processing activities and month-end calendars will not suffice in the future. The demands upon us are to be more flexible and ready to adapt to constant change. Gone are the days of completing one change cycle. We now need to be adaptable to manage constant change and see it as an opportunity.

Many of our interviewees and workshop participants referred to finance as having a closed mindset. They commented that it was very traditional in its approach and very conservative in the face of change. While this clearly cannot be true of all organisations, it is something that needs to be challenged. In the VUCA world it is the flexible and adaptable organisations that succeed. The finance community needs to be an effective part of the entrepreneurial spirit. Looking forward to the future is not the same as looking back to the past.

FIGURE 3.4: Overlapping change cycles



After Kubler-Ross (1969)



The advancing technology over the next decades will have a direct impact on the people, organisation and culture of the future finance function.

At a 'macro' level, there are three key participants who will enable the cultural change in the finance function: academia, industry and government. How well these participants can catalyse change together, will impact the capability of the finance function in the future.

In the coming years, the finance function will need to focus on improving the risk, technology and analytics capability of their people – as technology begins to rapidly evolve. We will need academia and industry to work effectively together to understand these future skills (agility, innovation & collaboration) needs and plan for those needs through the programmes on offer.

By helping to define sustainable models for incentivising academia and industry to work together, government policy has significant influence to impact cultural change. For example, by introducing tax incentives for industries who invest in academia can begin the cultural shift. The government's strategy around academic growth geographically – focussing for example on growth in the UK outside London & the South-East of England – will impact cultural change.

What we cannot ignore is that the three principles above only stand tall when there is a strong business case put forward to the business. Only when the benefits of change are clearly articulated in a business case, will we see significant cultural change in finance. The appetite for change in industry relies on the strength of the business case.

Those who affect change in industry, are either decision-making executives, coming to the end of their careers and incentivised to provide stability; or people who accept the cultural changes needed in the future, but are not in a position to fully affect change. We will need to fundamentally re-evaluate the assumptions behind our appetite for change. How we recognise our finance leaders who are driving change will be a key question for industry. What if they fail? We must look to enable finance leaders to try things – rewarding them for the effort as well as the outcome.

In a changing labour market, finance typically enact change programmes driven by crisis or fear. These programmes tend to be successful in the short to medium-term, creating a "siege mentality" to drive success. However, the type of cultural change of the future finance function will need to be driven by a bigger

vision in order to achieve success. The principles for change revolve not solely on the typical business case of the past – but rather on principles of 'continuous development' and 'intellectual agility'. Refreshing intellectual curiosity and capability on a regular basis in the finance function will drive the cultural success in the workplace in the future.

The importance of "purpose" and "ethos" in the future finance function will be key to enacting and enabling change. The business case becomes more challenging in this new world – because we're investing in people – who we know might very well end up leaving the business. Nevertheless, as a business, the future finance function must continue to invest in these people – because it is people who will enable the technological change of the future. Some recent examples in the United States of "citizens-led change", where a Minimal Viable Product has been developed from the ground upwards – are exciting cases of where change can be enacted via bottom upwards.

Finance functions must aim to build a culture of continuous learning so people feel empowered to drive change in a way which isn't threatening. As we recalibrate what it means to be a success in the future finance function, people will require a variety of experiences to grow. Whereas careers in finance have typically been seen in a linear way, the future finance executive will have to build on a variety of experiences to be an effective leader. To be an effective finance leader in a changing world, rather than purely financial acumen, we will need experience of working with different organisations, and not just in a steady state.

If we can encourage finance leaders, at all levels, to think in a more versatile way – finding their "purpose" – we will be able to overcome capability gaps and inertia to begin to enact cultural change.

Having said that, despite these challenges, people in finance functions should not be overly fearful of technology and upcoming cultural shifts. Our focus should be on how we work with technology to bring the future finance function – driven by agility, innovation and collaboration – into the present.



Christopher Box, Financial services
HR consulting leader, PwC

Christopher is a Partner and leads our financial services HR consulting practice in the UK and is the joint leader of PwC's work with financial services organisations on culture, values alignment and behavioural change.

In the rapidly changing business environment where innovation can transform an industry rapidly, we need to be aware that change is constant.

3.3 THE MICRO LEVEL CHANGE: ORGANISATIONAL REDESIGN

Having defined the purpose of the finance function we can move to the practical definition of the function itself, as exemplified in Figure 3.5. We have considered in our hypotheses related to the role of finance (see Chapter 2, section 2.3) the role of centres of expertise and strategic partnering. In the rapidly changing business environment where innovation can transform an industry rapidly, we need to be aware that change is constant.

In turn we have considered the identified the implications for the skills of the team (see Chapter 2, section 2.4), technology (Chapter 2, section 2.1) and data (Chapter 2, section 2.2).

Let us consider these areas further.

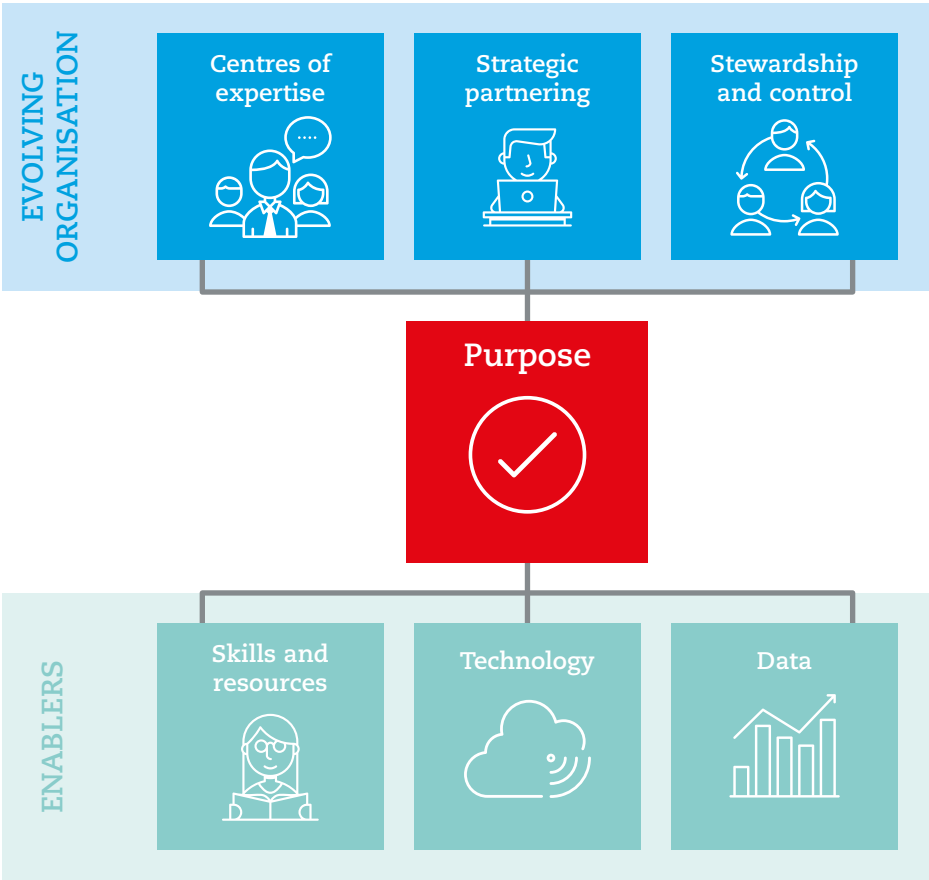
Centres of expertise vs. centres of excellence

If finance is to transition from an organisation defined by boundaries to one that contributes proactively across the business, then we need to rethink how we approach bringing that expertise to the fore in a readily accessible manner.

This might imply a subtle but important shift from centres of excellence to centres of expertise. We can define a 'centre of expertise' as a more fluid model than a 'centre of excellence'. Increasingly, deep expertise in technical areas will be critical competence needed to truly help the finance function grow.

The future finance function will increasingly require these deep skills and across a broader range of subjects than previously. This will involve not just technical accounting areas, for example treasury

FIGURE 3.5: The transformational journey



While we need to encourage people to learn, they also need to unlearn. The legacy of past behaviours is a barrier to evolving the finance function of tomorrow.

and taxation, but also areas such as data management and governance, machine learning and predictive analytics. The contribution that these individuals will bring to assist the finance team in looking forward will be immeasurable.

The nature of the digital skills that accountants need now and in the future is an area of research that ACCA will explore in more detail.

True value of business partnering

It is not enough, in the finance function of the future, to rely purely on these deep technical skills. At the forefront of requirements is the ability to use the information and to support the growth trajectory. Strong skills such as emotional intelligence and the ability to contextualise complex information will become increasingly important in supporting strategic decision making.

Much has been written about the use of the skills in the context of business partnering. Despite this, many organisations, as exemplified by PwC's *Finance Effectiveness Benchmark Report 2017* (PwC 2017) consider that they have not reached the full potential of the activity. There are many reasons for this, but if we are to achieve the ever closer focus on this area that our survey respondents indicate is necessary, then we need to consider how we achieve this effectively; what will be the training or coaching required? What will be the underlying experiences, backgrounds and other attributes most valued? What will be the career pathways for those with ambitions to grow and reach the top of the finance organisation? What skills are really required and how can these be obtained?

Skills and resources

Clearly, these transitions have an impact on the skills and resources that the finance team needs to be successful. It is a multi-talented team of not just financially qualified individuals but also those who bring other skill sets to achieve the organisation's purpose.

The combination of business experience and financial acumen will define the successful future finance leaders. We need to establish different growth paths that recognise the changing nature of

careers: ones that promote and develop the skills that we learn on-the-job as well as those from more formal experiences. The key skills of the future, such as emotional intelligence, are better learned by experience and coaching than from formal training programmes.

While we need to encourage people to learn, they also need to 'unlearn'. The legacy of past behaviours is a barrier to evolving the finance function of tomorrow.

Future career paths

The lattice career model, as considered in ACCA's report *Learning for the Future* (ACCA 2018) suggests a more flexible model in careers, as individuals build upon deep capabilities but spend shorter periods of time in any one organisation.

Today's career pathways are many and varied. No longer are there the somewhat traditional aspirations to become CFO; rather, the CFO role is one that is unique in its skills and attributes. We need to support the adaptable and flexible. Recognise the need to invest in individuals in the short term but also, and perhaps more fundamentally, to encourage individuals to invest in themselves.

Working patterns are changing. Our career paths are more flexible. Our specialisms are deeper, either in technical areas or in behavioural capabilities. The days of the generalist accountant are diminishing.

Perhaps the greatest impact of these shifts is in the middle generations where automation is removing team leadership roles, therefore challenging them to be even more expert at their chosen specialism. We need to think differently about how we construct career paths in this flexible economy, for new entrants as well as for those who will be managing them.

It also challenges the development path for the finance leaders of tomorrow. They increasingly need excellence in operations, proficiency in accounting, as well as true commercial acumen and stakeholder management skills, both internally and externally. The ability to relate the ever more complex story in the changing world will be the ultimate differentiator.

The pace of change that organisations face, from the business model through to the technology that it needs to adopt, may be daunting.

Role in data governance

The importance of data and its use was highlighted by all workshop participants and interviewees as a key challenge for the finance function of the future. Finance clearly has an important role in establishing and maintaining data quality across the organisation. The one version of the 'truth' is an essential component of decision making.

Whether data governance is a finance responsibility will depend upon the nature of the organisation. Nonetheless a finance team that does not embrace those with the requisite data management skills, as well as financial acumen, will be the poorer in serving the organisation.

Overcoming barriers to transformation

We asked our survey respondents to rate, on a scale of 1 to 5 where 5 indicated the most significant, several areas that might affect the evolution of the finance function (as shown in Figure 3.6).

These are all significant barriers. Yet for finance to be successful in the way our survey respondents and interviewees aspire, we need to overcome them.

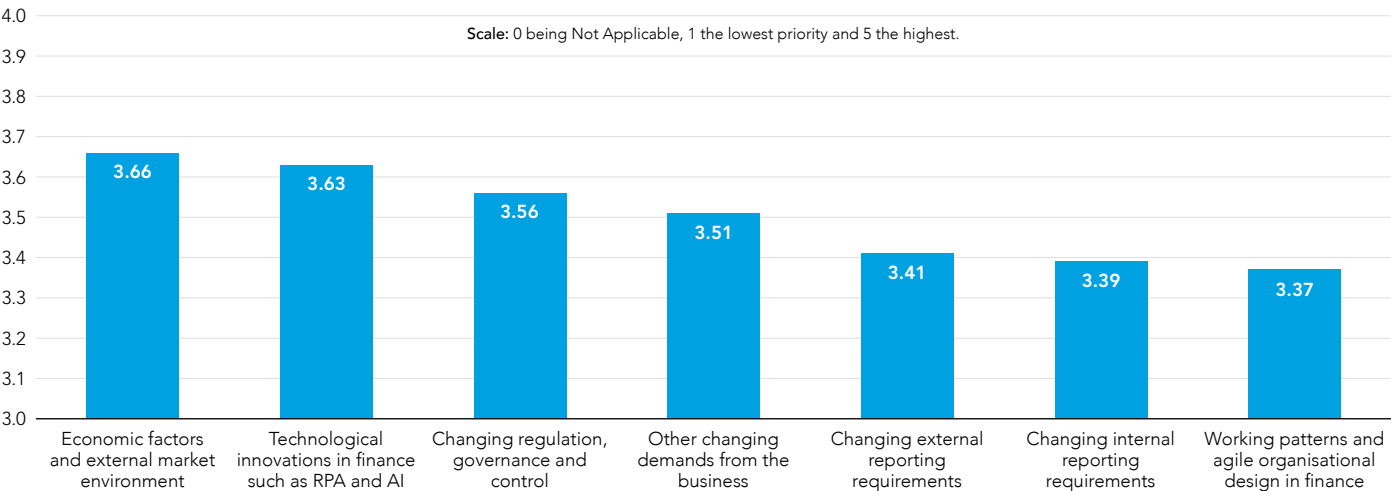
The responses can be interpreted as indicating a level of challenge for the finance function in overcoming the legacy of tradition. The pace of change that organisations face, from the business model through to the technology that it needs to adopt, may be daunting. Yet if it does not overcome these challenges and take a more proactive role in developing the business it could well be marginalised. Behind each challenge is an opportunity to open a new door.

Tendayi Viki, writing in Forbes, identifies three human barriers to digital transformation (Viki 2018):

- **inertia** – the tendency to do nothing and maintain the current state
- **doubt** – while people accept the need for change, they doubt that it will happen in an organisation such as theirs
- **cynicism** – people doubt their leaders and the belief that the transformation can achieve something, therefore they see fault in the activity.

Recognising these aspects and planning to overcome them is key to establishing the effective finance team of tomorrow.

FIGURE 3.6: Barriers to transformation: mean scores





4. The journey

4.1 LEADING THE CHANGE

If finance is to achieve its true potential it requires strong leadership: leadership that recognises the need to evolve the culture of finance from the traditional process-centric.

Leading a future-focused finance team requires different skills. These include a more flexible approach to management, accepting that the timescales in which teams operate are shorter and the classic team development lifecycles will frequently not complete. Therefore, the changes needed include:

- top down sponsorship, alignment with purpose and creating collaborative (not directive), empowered change teams
- developing a collaborative environment, not a top-down management style
- embracing change on a continuous basis as a natural course of events
- having a 'people focus' rather than a 'process focus'; building on talents not procedures and encouraging and rewarding both team and individual innovation
- enabling rather than controlling projects; letting individuals take risks and rewarding experimentation as well as success
- adopting a different approach to team formation: one that embraces rapid mobilisation.

In developing the finance culture of the future, you need to consider:

- the need for both top-down and bottom-up processes to innovate and sustain finance
- how to manage the transition team by team; large-scale counter to agile principles; change in team motivation
- how to focus on self-organising teams, not complex structures
- the means of developing strategic partnership across in the organisation – breaking down functional silos to address business issues
- how to manage by outcomes and not by budgets alone
- the development of performance processes that focus on both financial and other measures
- how to incorporate anticipating events into decision making, rather than focusing only on the historic picture.

4.2 COMPLETING THE JOURNEY

Developing the finance function for the future requires broadening the skill base. The latter needs to encompass a broader set of skills, while ensuring that financial principles are spread across the organisation so that these skills are embedded at levels where decisions are taken, and advice sought. Those involved need to embrace a greater

knowledge of data and have the skills to manipulate it, such that a compelling picture can be developed.

Along with this broader range of skills, the finance community of tomorrow needs to promote deep and relevant expertise across the organisation and be efficient in how it undertakes its core processes.

The technology journey

Just as our view of the skills that finance needs is tempered by our own perspective, depending on where we have come from, so our view of technology is conditioned by the experiences of the ERP investments of the turn of the century. The opportunities offered by the new generation of applications, typically hosted in either private or public clouds, enable us to create more flexible environments that are more able to handle the volumes of data we now generate and the analyses we are looking for. The range of statistical tools through which we can undertake predictive analytics requires the computational power of the cloud environment.

A failure to invest appropriately will lead to a deficit that will only increase the necessary investment later. Of course, this not just a discussion around the finance systems sitting in isolation, rather it is the data and systems architecture across the whole organisation. A discussion that finance clearly needs to engage in.

In the not-so-distant future, finance will be real-time, customer-centric, forward looking and strategically decisive.

Lean and agile processes

The elixir of efficient processes is one that finance has been chasing for a long time. The many iterations of finance transformation developed on a backbone of IT systems have occupied us for many years. The majority of these have focused on creating efficiencies within existing norms of month-end processes and divergent systems.

We have reached a stage with the automation of systems now available to us that we can challenge that paradigm. In future, our processes need to be more agile and flexible; taking advantage of the opportunities available. No longer do we need to think of managing the monthly peak workload, but rather of managing the data to maintain its relevance.

We need to take an agile approach to leadership through the promotion of shorter-term, entrepreneurial initiatives and advancing by increments. This requires a more adaptive management style and the recognition that not all teams will become fully effective in the shorter space of time that they have to work together. We need to accept that learning by failure is as effective as achieving success.

4.3 THINKING AHEAD

This leads us to thinking about how we measure organisational and individual performance. Obsessing about KPIs or KPTs will not enable us to manage the fast-moving organisation of tomorrow effectively. This is especially the case where we have monthly views of the data. We should take care not to over-emphasise the daily data points available to us through enhanced analytics; rather, we need better understanding of the leading indicators of the business model and to focus on the trends that are revealed by having more data points. Decision making is no longer a monthly activity, rather it is a continuous process where financial acumen is a key skill very relevant to the organisation of the future.

CFO challenge

The greatest challenge for CFOs as leaders of finance teams is to recognise the extent of the change that their teams need to undergo, while facing an evolution in the role that they perform. The responses in our workshops indicated that there is, perhaps, an innate conservatism in the finance function that needs to be overcome. The need for agile leadership skills is paramount.

Finance has a significant opportunity to develop a robust culture to support a dynamic organisation. To do so, finance will have to embark on a journey of change under true stewardship from the top so that it can deal with uncertainties, U-turns and sudden disruptive forces that can alter the entire state of play just overnight.

In the not-so-distant future, finance will be real-time, customer-centric, forward looking and strategically decisive.

To get to that 'to-be' model and achieve this vision, finance leaders must take charge, articulate the purpose of their function and define clearly what questions the team is trying to answer. Time and effort must be invested in rethinking and remapping roles and responsibilities across, as well as the underlying skills and resources that will be necessary to deliver on those.

If technology is a precursor rather than the enabler, that means the first step should be to draw out those processes, what they entail and what they serve, before phoning the first vendor that comes up to hear about his solution to your problem.

This report has included several views and recommendations to support finance teams and leadership be successful in their journey towards their future. The opportunity for finance to increase its relevance and help businesses seek opportunities for profitable and sustainable growth is substantial.



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