FINANCE REIMAGINED

Igniting the spark to unlock value.

#CFOReimagined
We are embarking upon the most radical transformation in the fabric of the finance function since the advent of the first enterprise resource planning systems more than a quarter of a century ago.
Our research indicates that in the next five years every job in finance will be redefined. Many traditional transaction processing and accounting roles (up to 80 percent) will be eliminated, and many new roles will be created as finance expands its footprint and seeks to drive value creation across the enterprise. Overall finance will be leaner, up to 40 percent fewer people, but much more highly skilled, doing different things and directly aligned with the value-creating elements of the business. Perhaps even more impactful is that process-oriented work which has traditionally comprised more than four-fifths of finance staff time will dramatically reduce. As next-generation Enterprise Resource Planning (ERP) systems and associated digital technologies such as robotic process automation, machine learning, and artificial intelligence take hold, finance professionals will be liberated to engage directly with business leaders on strategy definition and business problem resolution. The implications for how finance organizes itself, the type of talent required and the role data and technology play in finance service delivery will be profound.

The convergence of disruptive market innovations, digital technologies, and increased expectations are reshaping the finance agenda. In our September 2018 research report ‘CFO Reimagined’ we explored the expanding role of the CFO in the enterprise agenda. In this paper, finance reimagined, we look at the impact on the whole finance function.

78% of CFOs are heading up efforts to improve efficiency through adoption of digital technology.
The past 25 years have brought a series of incremental changes to the finance function that have reduced costs by more than 50 percent, consolidated routine accounting activities, moved work to lower cost locations and upgraded the core accounting systems. However, based upon Accenture’s most recent research, CFOs are frustrated at the pace of change as only 34 percent of finance tasks are currently automated, and the work that finance does and how that work is done has barely changed. Reporting is still dependent on lengthy accounting close cycles, budgeting and forecasting remain complex, time-consuming and in many cases not very useful, controls still rely extensively on back end reconciliation and matching processes and analysis remains a manually driven, spreadsheet dependent activity severely limiting finance’s ability to develop advanced analytic capabilities.

However, attitudes are changing. Four out of five CFOs are actively seeking out value creation opportunities across the broad business ecosystem. Three-quarters feel that finance is best positioned to help the business build the model underpinning new technology investments, and the same proportion are actively exploring how disruptive technologies can benefit the enterprise.

81% are focused on identifying and targeting areas of new value across the enterprise and using tech to do it.
However, if finance is to pivot to this new expanded and more impactful role, a radical transformation is required. Finance teams need to:

- Redefine the measures of success
- Transform the finance customer experience
- Think differently about the work finance does and how that work gets done
- Define a new finance services portfolio
- Unlock the power of the finance professional

80% say finance is key to the business achieving its digital ambitions. 77% are exploring how disruptive new technologies could benefit the enterprise.
Benchmark projections

Accenture analysis projects that staffing levels in traditional finance activities for the median company will reduce by almost 70 percent by 2025. Investment in new, higher value-added services will result in a net reduction of nearly 40 percent in aggregate staffing levels.

New finance roles will account for half of finance jobs by 2025.

Median finance staffing levels 2012 – 2025

- Advanced automation (RPA, AI, Blockchain, etc.): -70%
- Basic automation (ERP, OCR, etc.): -35%
- New finance roles (Analytics, Data, etc.): 50%
Adopting a revolutionary mindset

Redefine the measures of success.

The two most common baseline measures that CFOs utilize to look at their organization are still finance cost as a percentage of revenue and finance staff per billion $ of revenue. Both these measures carry some value at the aggregate level although far less than they did historically when finance was much more labor intensive and transaction oriented. However, such measures can be downright dangerous when applied across different lines of businesses or geographies. Using such measures could lead a CFO to deploy more resources to bigger, more mature business than newer, more strategic bets in areas with greater risk and uncertainty. Probably not the right answer. Aligning finance staff based upon business risk and strategic growth rates is much more likely to place finance resources in the areas where they can add the most value. As companies pivot to new business models and pursue disruptive innovation; finance needs to be side by side with business leaders, helping them make faster, more confident business decisions.

Furthermore, as routine finance processes are increasingly automated, traditional measures of finance productivity such as transactions processed per full time employees are no longer relevant. New measures need to assess/identify the percentage of transactions requiring any form of manual intervention with the best practice target of zero.
Transform the finance customer experience.

Is forecasting seen as one of the most valuable management processes by the customers of finance? If not, why not?

It should be, as it’s the one finance process that helps the business plan the future. For many, it’s a painfully long, excruciatingly detailed, calendar-driven, negotiation process that produces little of lasting value. For too long, finance processes have been time-consuming, bureaucratic and of little direct value to the business.

Adopting a customer-centric view that focuses on designing finance processes, simplifying the customer experience, engaging business and finance in true collaboration and ensuring alignment of goals is essential. Business leaders see the potential of analytics to deliver a much more dynamic and data-driven approach to budgeting and forecasting, finance needs to architect a more prescriptive, statistically rich and AI-powered capability that roots planning in the realities of current and likely future performance.
Think differently.

Many of the improvements over the last few years have been incremental but have not addressed the root causes of poor finance productivity.

For example, the accounting close remains a challenge for many organizations. Many have set goals of a reduced or accelerated close but failed to address the root causes of extended close cycles.

If finance is serious about reducing the pain of the accounting close, then adopt the following mindset:

- View every manual journal entry as a cost of quality in the close cycle. Don’t just try to automate, seek to eliminate them completely by capturing data once, right at the source.

- Every matching or reconciliation process is also a cost of quality. If all elements of a transaction were recorded correctly, there would be no need for matching or reconciliation. At the very least the controls’ can be 100 percent automated.

- Eliminate all non-essential work from the close cycle. Don’t embed internal management reporting tasks into the close cycle, apply appropriate materiality levels, and don’t try and make the general ledger the management reporting system.
Define the new finance services portfolio.

Accounting, commercial finance, operations finance, budgeting, forecasting, reporting, tax, treasury, audit, investor relations—the finance services portfolio has barely changed in decades.

While all these activities remain relevant, albeit executed in a very different manner, they represent only a subset of the potential value that finance can deliver to the enterprise.

Forward-looking finance teams are taking on new roles. For example:

A global pharmaceutical company has established a working capital analytics center of excellence in finance to analyze transaction level sales, purchasing and inventory data across three business units to optimize free cash flow. In the first year of operation over $100 million of additional cash was released.

A global consumer products company has established an enterprise-wide data governance function in finance that addresses not just financial data but market and operational data to ensure that investments in big data, AI and analytics can be fully leveraged.

A large oil and gas company has set up an automation SWAT team in finance to ensure that multiple robotic process automation and artificial intelligence projects across the company fully address the need for clean, consistent and standardized data. They understand that the full value of such investments can be lost if the information and analytic value of the data is not addressed upfront.

More than three-quarters of CFOs believe that finance is ideally positioned based upon its historic role and skillsets to play a leadership role in the management of cyber-related risks.
### Capabilities required by a high performing digital finance organization

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<th>Account-centric</th>
<th>Business-centric</th>
<th>Strategy-centric</th>
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<td><strong>Accounting skills</strong></td>
<td><strong>Analytic skills</strong></td>
<td><strong>Influencing skills</strong></td>
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<td><strong>Functionally siloed</strong></td>
<td><strong>Business aligned</strong></td>
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<td><strong>Process-centric</strong></td>
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<td><strong>Project/Program-centric</strong></td>
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Unlock the power of the finance professional.

The average finance professional still spends up to 70 percent of their time getting ready to do their real job. They are collecting, assembling and organizing data, creating and updating spreadsheet models and creating reports.

Through the judicious application of the right technologies: data ingestion tools to capture structured and unstructured data, robotic process automation to transform data, automated analytics to interrogate large scale datasets, artificial intelligence to identify patterns, trends and abnormalities and visualization tools to present insights in an intuitive and actionable form, finance professionals can be liberated to sit side-by-side with business leaders to enable faster, more confident and more impactful decisions.

Invest in both talent and technology.

The pace of technological innovation continues to accelerate but as the CFO of a large Asian bank commented, “Our ability to create wondrous new technologies greatly outstrips our ability to learn how to use them effectively.” CFOs cannot rely on the education system or internal training functions to deliver the capabilities needed in the quantities required to staff the future finance function. Up to 40 percent of companies are already experiencing talent shortages that impact their ability to adapt and innovate.

Active interventions are needed to develop a talent strategy that matches the development and deployment of the skills and capabilities needed with the revolution in the role of finance.

For example, a large North American financial services organization in partnership with a leading university has established its own data science education program to ensure an adequate supply of appropriately skilled talent to meet its current and future needs. A European telecommunications company has decided to partner with a third-party consulting firm to deliver ongoing analytics of customer and product profitability to secure access to the right talent while allowing internal finance professionals to focus on key business partnering activities.
How digital is powering next-gen finance

Fundamental to the empowerment of finance is the liberation of the finance professional from the burden of offline manual work that has been required to account and report on financial performance.

It is only with the advent of digital technologies such as robotic process automation, artificial intelligence, next-generation ERP, machine learning and advanced visualization and analysis that the real potential of finance is being realized. Accenture Strategy’s high-performance research clearly shows the relationship between digital maturity, the effectiveness of financial planning and analysis and over enterprise performance. Put simply, high performing, digitally enabled finance teams help their companies outperform their peers.
Financial performance of both highly effective and digital companies

85% of highly effective and digital companies outperform their peers financially.

Source: Accenture Strategy Research

- Financial Planning & Analysis Effectiveness measured by metric—% time spent on analysis (vs. data collection)
- Financial performance based on gross margin and 5 year revenue growth (CAGR)

#CFOReimagined
Finance Reimagined: Igniting the spark to unlock value
The consistent theme that emerges from Accenture’s research and our client interactions is that finance leaders have little trouble defining their vision for the future. Nor do they doubt the potential of new digital technologies to deliver significant value. So, what’s the problem?

As one CFO commented, “We know exactly where we want to go. The challenge is how to get there. What do we do first? How do we create the capacity to change? How do we get the rest of the organization aligned and committed? How do we fund it?”

As with most revolutions the first steps are not always clear. However, we see organizations pursuing one of two paths. First is a more operationally oriented retooling of finance powered by next-generation ERP systems.

The first step is simply to stop doing things that no longer make sense. Eliminating unnecessary or low value-added work creates the capacity to invest and sends a clear message that this time, things are different. Coupled with next-generation ERP capabilities that offer real-time access to normalized data through intuitive and function-rich user interfaces, creates a platform for change. It sounds easy, doesn’t it?
Focus on solving business problems.

At one major airline, the trigger for taking a more rigorous data-driven analytic approach was an emerging business issue around the steady increase in labor expenses where each increase was justified as being necessary to maintain or enhance customer satisfaction. However, when finance took a data-driven analytic approach to study the problem it became clear that the relationship between investments in labor and customer satisfaction had reached the point of diminishing returns. Finance’s ability to demonstrate the business value of analytics was a crucial step in gaining leadership support for their digital finance agenda.

But following through will force leadership to challenge processes and behaviors that have been entrenched over many years. Breaking down these barriers will send a clear message of intent while also engaging the natural change agents in the finance team who are eager for change.

The second approach is a more strategic, top-down redefinition of finance’s role in the context of business and market disruption, and evolving business strategies. Defining those areas where finance can create the most value by enabling strategy and then deploying the right talent, tools and technologies forms the basis for a coherent vision for the future of finance. This approach can be more effective when finance needs to completely reimagine its role in the face of marketplace or business model disruption.
This approach also taps into the appetite for change amongst finance professionals, more than half of whom are excited to learn new skills. When looking at the finance leaders of tomorrow, the appetite for change is even stronger. Nine out of ten believe finance should spend more time on value creation across the business system and 78 percent believe finance should champion a new way of operating across the business, leading by example and igniting the spark of value creation.

Eliminating unnecessary work, driving simplification and standardization, digitizing finance work, organizing for business value, and investing in new skills and capabilities charts the journey to a finance function that not only is an effective steward of the past but is uniquely positioned to lead the drive for growth in the future.
### Key steps on the journey to reimagining finance

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<th>Eliminate</th>
<th>Simplify/Standardize</th>
<th>Digitize</th>
<th>Organize</th>
<th>Invest</th>
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<tr>
<td>Redundant controls</td>
<td>Accounting and financial policies and practices</td>
<td>Matching</td>
<td>Low-cost location optimization</td>
<td>Data science</td>
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<tr>
<td>Redundant reports</td>
<td>Management reports</td>
<td>Period end reporting</td>
<td>Global and regional Centers of Excellence (COEs)</td>
<td>Advanced analytics</td>
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<tr>
<td>Manual journal entries</td>
<td>Materiality and risk levels</td>
<td>Account and reconciliations</td>
<td>Standardized finance operating model</td>
<td>Scenario modelling</td>
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<tr>
<td>All manual accounting</td>
<td>Planning calendar</td>
<td>Workflows, approvals, and document routing</td>
<td>Centralized reporting COE and data governance team</td>
<td>Customer and competitor analytics</td>
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<td>Non-material budget detail</td>
<td>Plan iterations</td>
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<td>Business-centric zero-based analytics</td>
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<td>Local reporting support</td>
<td>Control environment</td>
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- **Reduced cost to serve**
- **Increased agility**
- **Advanced capabilities**
No wonder our CFO Reimagined research showed 78 percent of more junior finance practitioners say that there has never been a more exciting time to be a finance professional. All that’s needed is to deliver on the promise.
About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 469,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

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www.accenture.com/CFOReimagined

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