

An aerial, top-down view of a city, likely New York City, showing a complex multi-level highway interchange with many cars. To the right, a large stadium with a red running track is visible. The city buildings are dense and varied in height. The overall scene is a vibrant, busy urban environment.

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REDEFINING PUBLIC SECTOR FINANCE IN A DIGITAL WORLD

#CFOReimagined



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What does it mean to be a finance leader in the public sector today? A decade since fiscal policy was disrupted by the Great Recession, how are finance leaders helping their organizations overcome the complex and rapidly evolving challenges they face?

Accenture's latest research—based on a quantitative survey of 187 public sector finance leaders and in-depth discussions with senior finance professionals across government—sheds light on critical questions like these.

Some of our most striking findings relate to the comparisons we can draw between public sector finance leaders and their counterparts in business. We already know from our cross-industry study, ***The CFO Reimagined: From***

Driving Value to Building the Digital Enterprise, that CFOs in the private sector are increasingly fast-paced, far-reaching and broad in impact. They are digitizing finance, harnessing the power of data, leading enterprise-wide digitalization and developing future finance talent.

Operating in an environment of budget constraints and growing public scrutiny, it is unsurprising that finance leaders in government lag their peers in business. Yet the gap is much smaller than we

expected. What stands out is the scale of government finance leaders' ambitions: to drive new technology, unlock the power of data and create new value. It is telling that eight in 10 respondents believe there has never been a more exciting time to be a senior finance leader.

Due to advances in technology, CFOs have an exceptional opportunity to play a wider-ranging and more strategic role in the public sector. In this report, we explore the challenges they face and set out priorities for success.

CONFRONTING THE STEREOTYPE

It is easy to stereotype public sector finance leaders as behind the times, lagging their more innovative and future-focused peers in the private sector. But Accenture's research confirms that nothing could be further from the truth.

While they face complex, sector-specific challenges, finance leaders in government recognize the need for transformation just as keenly as their counterparts in business do. And, as they redefine the value they bring to their organizations, these leaders are becoming increasingly strategic in their approaches.



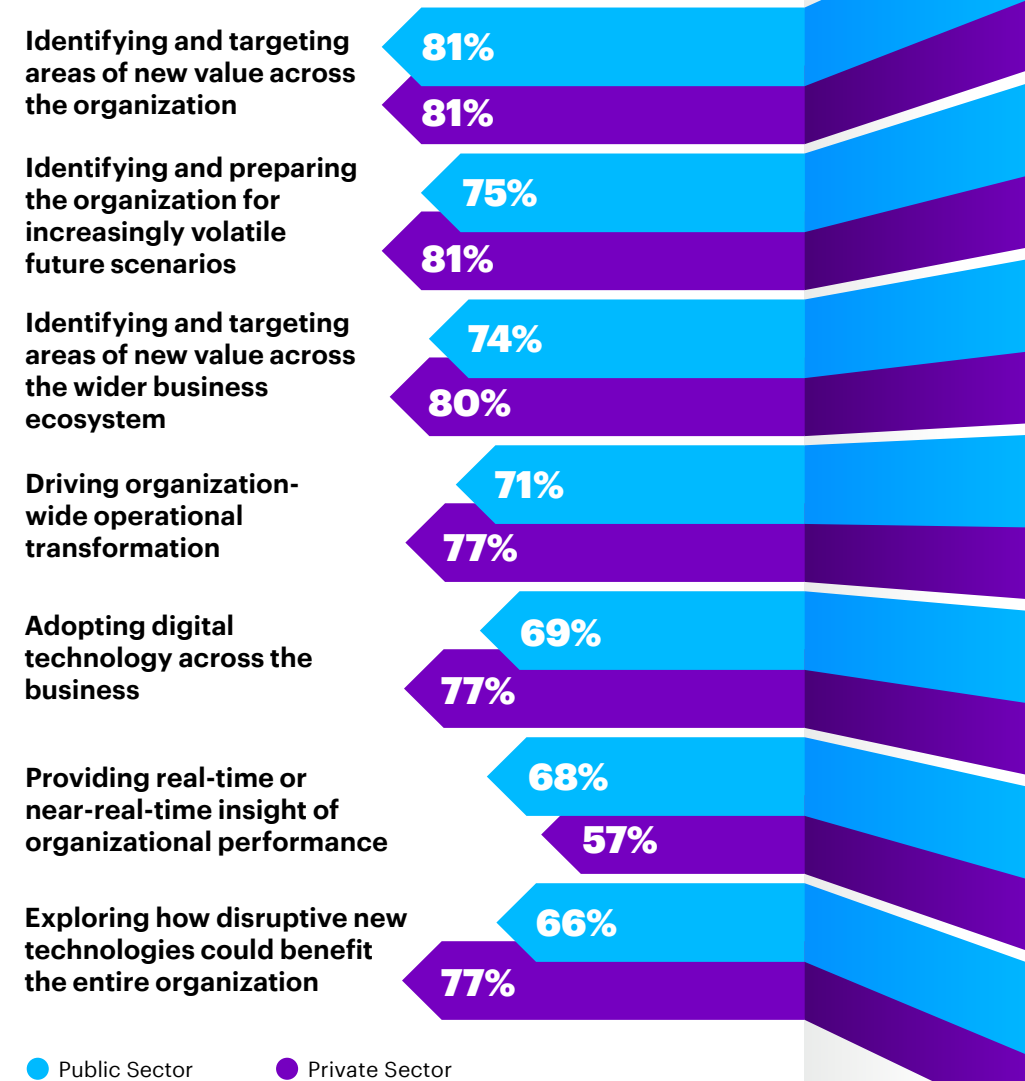
Finance leaders have many of the same ambitions as their private sector counterparts (see Figure 1).

“The role is now much broader,” confirms Robert Kerse, Chief Financial Officer at the University of Bristol in the United Kingdom. ***“It’s not just about delivering financial value—it’s also about the value you provide to the public. My role is not only measured in whether we make financial decisions effectively, but also in how I help the organization make decisions.”***

To some extent, this evolution has been prompted by austerity. Following the Great Recession, finance doubled down on cost efficiencies and helped drive greater value throughout the organization.

At the same time, growing competitiveness across the public sector—between universities competing for students, for example, or police forces striving to meet crime targets—depends on finance function modernization, guidance and support.

FIGURE 1
What strategic goals are finance leaders focused on?



Passionate about change

To serve their organizations, public sector finance leaders are enabling strategic change. Almost three-quarters (73 percent) of survey respondents believe the traditional finance talent profile needs to change quickly and drastically.

What stands out is that many of these activities center on the need for finance to play a leading role in shaping their organizations' technology strategy. This is backed up by some of the other findings from our survey. For example, 73 percent of respondents say finance is best-placed

to help the organization understand the economic model underpinning new technology investments. And seven in 10 (71 percent) think the function's leader is the right person to use digital to improve organization-wide performance (Figure 2).

FIGURE 2

How do CFOs perceive the role of finance as an enabler of change?

Without a strong finance function, our organization will not be able to achieve its goals in the digital world

81%

Finance should be involved at the very beginning in any investment decision about new enterprise technologies and their suppliers

79%

Finance should set the agenda for the implementation and roll-out of technologies across the organization

78%

The finance function is best placed to apply advanced analytics to multidimensional data, to deliver sophisticated reporting and organizational insights

75%

Finance is best placed, of all functions in the organization, to help the organization understand the economic model underpinning new technology investments

73%

71% agree that the CFO is best positioned to lead any initiative to use digital approaches to improve organization-wide performance.

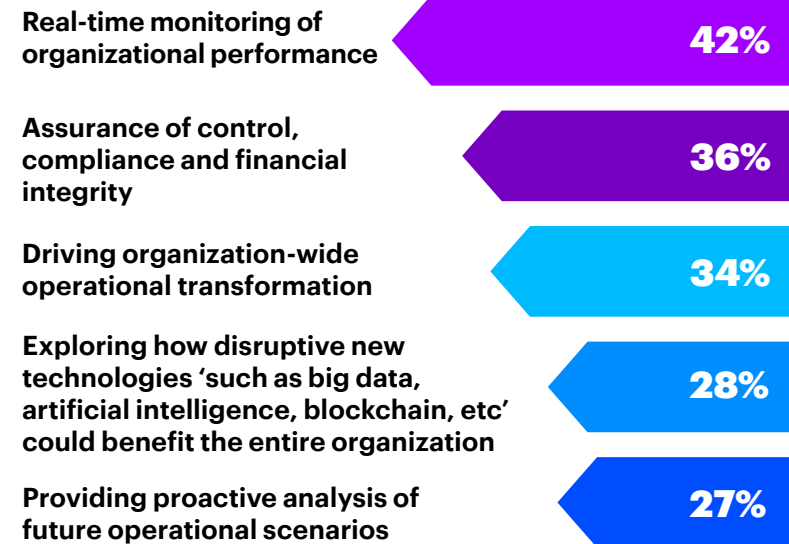
Closing the gap

While our research suggests that public sector finance leaders are delivering transformation, it also reveals that many finance functions cannot yet move at the pace required to achieve success (Figure 3).

Moreover, when public sector finance leaders have not been able to engage fully in strategically-focused ambitions, the obstacles holding them back are often different or more pronounced than those that their private sector peers face.

FIGURE 3

Is finance moving at optimal speed to tackle these initiatives? Percentage of survey respondents who agree:



Common barriers in the public sector include:



Time

A lack of bandwidth, with traditional finance tasks such as accounting and financial policy management and enforcement taking priority



Budget

Insufficient budget to invest in change projects, with the financial constraints of the austerity years following the credit crisis still lingering



Skills

A lack of skills, with many public sector finance leaders reporting that they find it difficult to recruit the talent they need for transformation, particularly in areas such as digital technology and data science

“The Great Recession destroyed the ability of public sector finance functions to become more strategic and provide advisory support to their elected officials. They have begun to recover since then, but the capacity of public sector finance leads to play a more strategic role is still hindered by the effects of the Recession.”

Mark Howard, Global Lead,
Government Administration, Accenture

Finding additional resources

Against this backdrop, public sector finance leaders must vie for additional resources so that they can realize a broader role.



First, this will mean building a clearer and more compelling business case for investment in strategic activity and technology. To do so, finance must be able to forecast credible enterprise-wide returns on spend.



Second, finance will need to explore innovative new funding models to ease budgetary pressures. Many organizations are, for example, exploiting revolving funds to pay for innovation projects across the enterprise, supporting activities across several fiscal years. Others are hiring contractors on contingent fees, or similar arrangements that link payment to returns. Capital funding provides another option. The Commonwealth of Massachusetts in the United States, for example, has raised finance through periodic bond issues.

Yet finding new resources is only part of the evolving set of challenges that public sector finance leaders face today. More specifically, our research suggests that the transformation agenda focuses on three key areas:

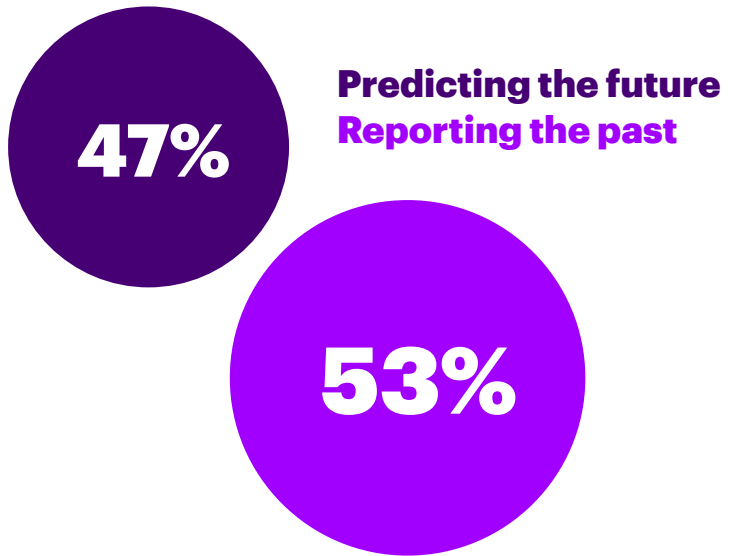
- **Driving** strategic results through data and analytics
- **Implementing** automation despite financial and people challenges
- **Recruiting** a new wave of talent and skills

We explore each of these areas in depth in the rest of this report.

DRIVING STRATEGIC RESULTS WITH DATA

Public sector finance leaders are harnessing data to increase their enterprise-wide influence and support their organizations' strategic ambitions.

FIGURE 4
How do public sector finance teams use data tools?



Clark Partridge, State Comptroller of the Arizona Department of Administration, says such efforts are starting to pay dividends, even though they are at an early stage in his agency. ***“We have software that enables us to mine data and to perform analytics, though we don’t yet have all the tools to be able to create dashboards and put them in front of program personnel,”*** he says. ***“We have the ability to understand our data better and to look for opportunities and gaps in performance. It’s exciting to see what the possibilities are.”***

Indeed, despite budget constraints, many public sector finance functions have made significant advances. More than two-thirds (68 percent) are focusing on implementing real-time analysis of organization performance (Figure 1), while almost half have adopted a more predictive approach to reporting (Figure 4).

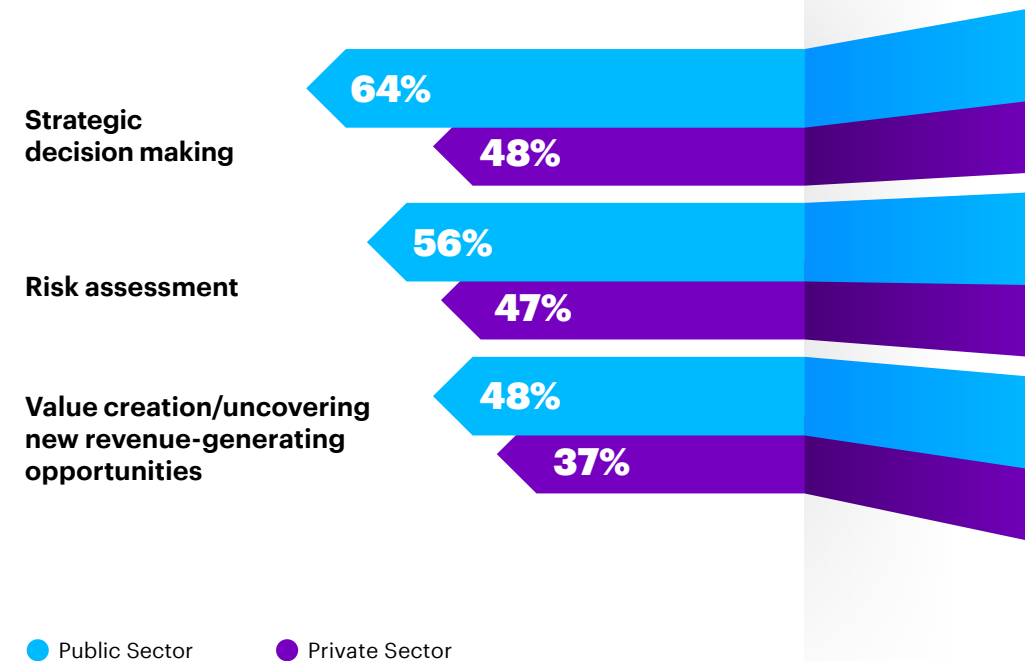
Organizations value such innovation. More than half of the finance functions in this research report increases in demand for insights or analytics on a range of different types of data—from operational information to risk and compliance. Three areas in particular—strategic decision-making, risk assessment and value creation—stand out when public sector leaders are asked to provide greater insight (Figure 5).

As public sector finance functions build their analytical capabilities and show what they are capable of, we

can expect their focus on leveraging data to intensify, argues Nicola Smith, Managing Director at Accenture.

“Finance teams have put in place ERP systems to give them one version of the truth, but they’re not yet sure what they should be doing with the data to enable their organizations to turn a corner,” she says. “They know what the problems are, and which questions they can answer with analytics, but they don’t yet think of finance as having the power to provide those answers.”

FIGURE 5
Where do finance leaders see an increase in requests for data-driven insight?



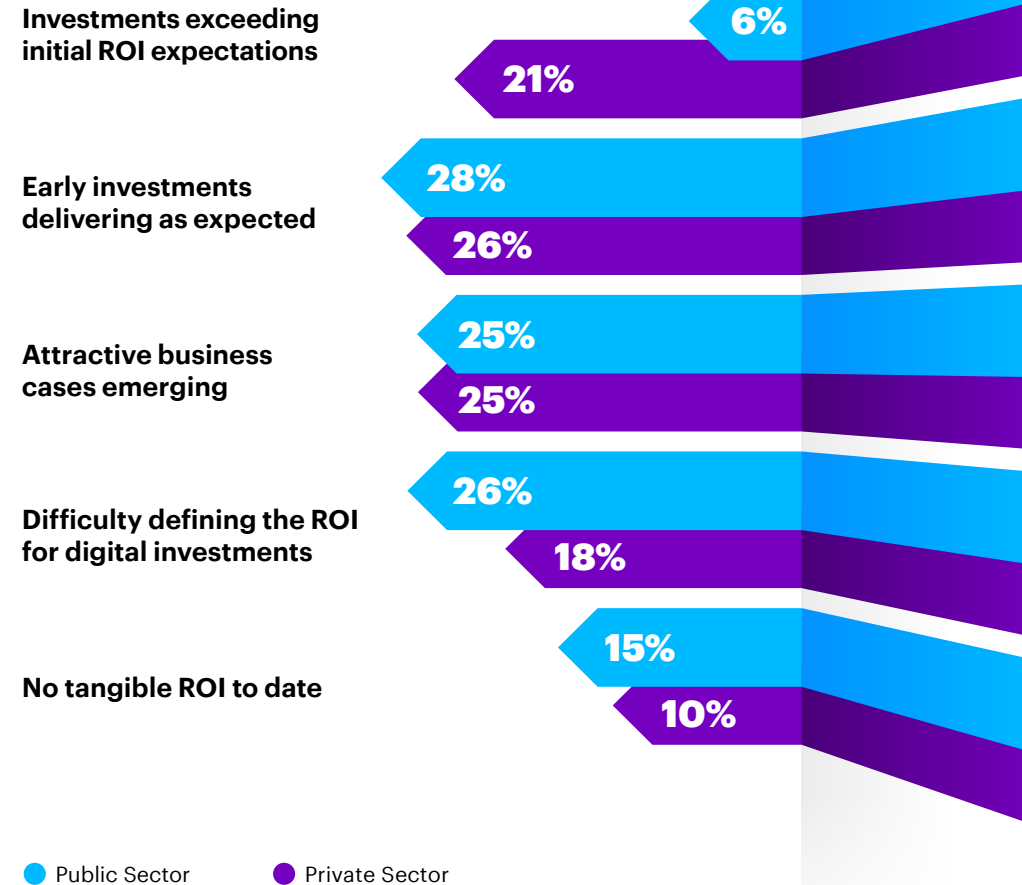
“I had never heard the term ‘return on investment’ used in a governmental environment until recently.”

Thomas Shack, Comptroller of the Commonwealth of Massachusetts

To establish a stronger data analytics capability, public sector finance leaders must build on the momentum. With that in mind, one crucial challenge will be for teams to do more work around measuring returns on investment. As Figure 6 shows, many public sector organizations are seeing an attractive business case for investment in transformation emerging. Yet comparatively few are seeing returns exceed initial expectations. One reason may be that organizations are finding it challenging to measure returns—26 percent of public sector respondents say they have difficulty defining the return on investment (ROI) from digital investments.

Measurement will improve as public sector organizations adopt a new mindset, argues Thomas Shack, Comptroller of the Commonwealth of Massachusetts. **“We have to expand clarity and transparency in how tax dollars are used,”** he says. **“I believe the taxpayers of Massachusetts are like the stockholders in a private company, and our objective should always be to maximize the return on investment when utilizing their resources—avoiding fraud, waste and lack of transparency. But I had never heard the term ‘return on investment’ used in a governmental environment until recently.”**

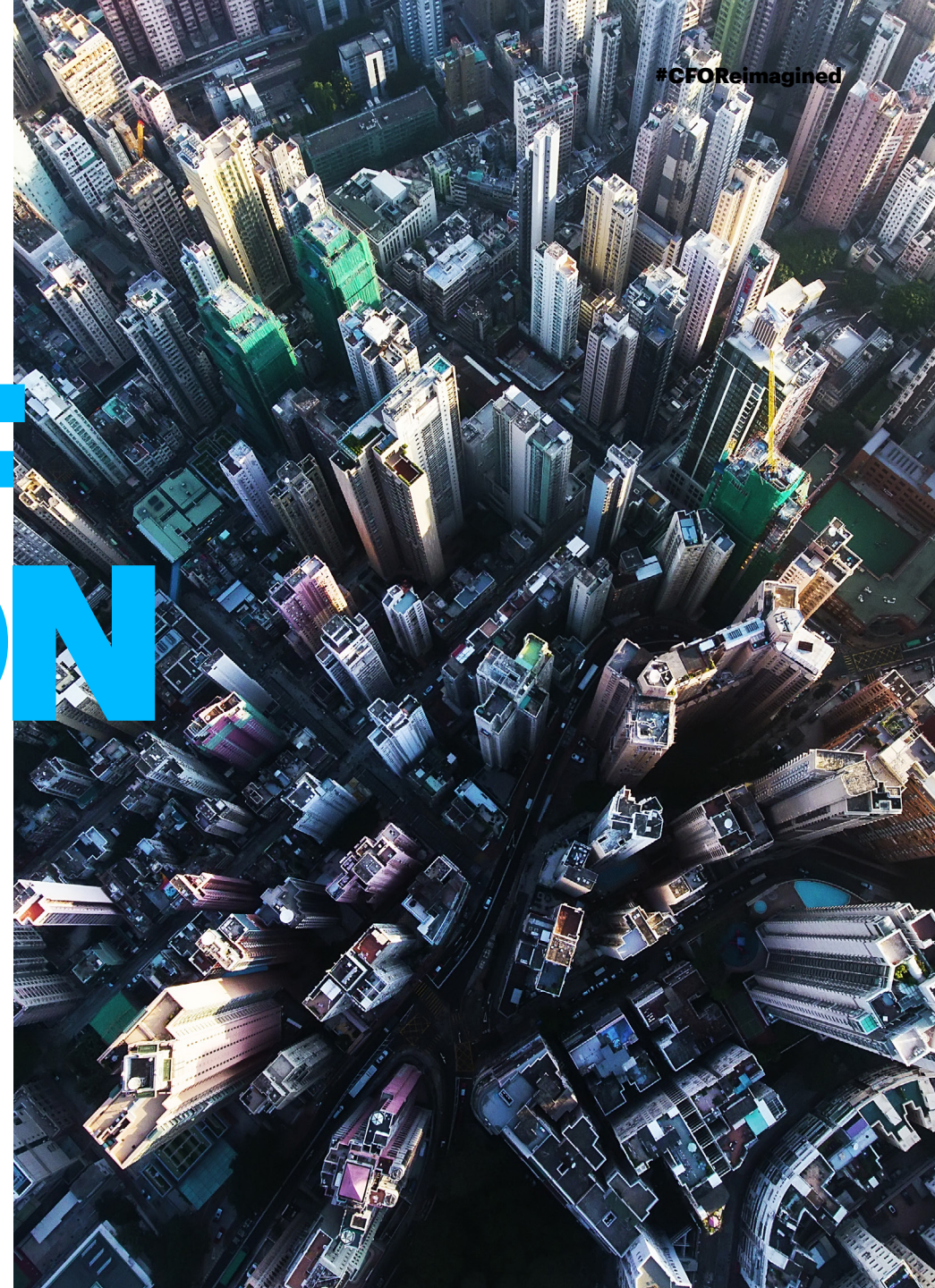
FIGURE 6
Have digital investments realized a strong ROI?



FIGHTING THE FEAR OF AUTOMATION

Technology-enabled efficiency measures will help public sector finance leaders transition into a more strategic role. Resources freed from routine processing and finance tasks can be redeployed into value-added work, enabling a strategic shift for less investment.

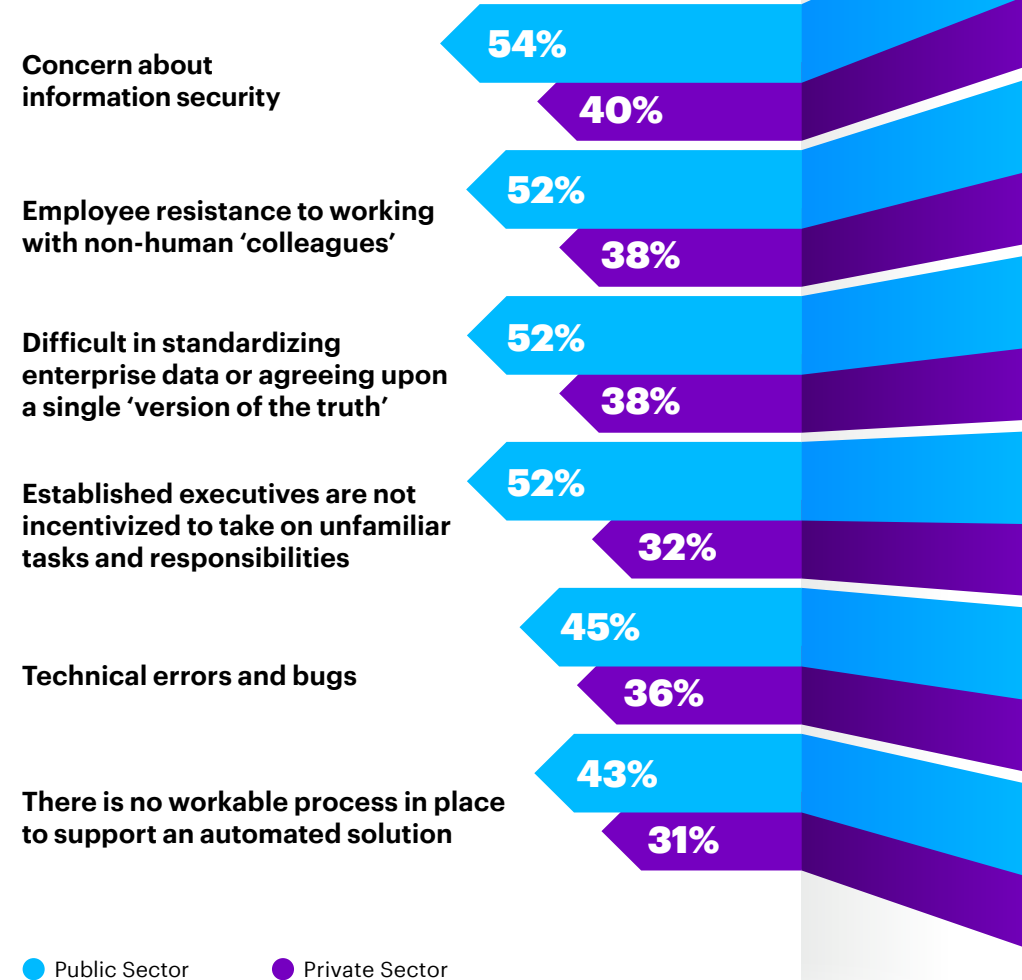
This is why so many public sector finance leaders have bold plans for automation. Indeed, they say they are aiming for an average of 41 percent of finance tasks to be carried out by technology within three years.



To realize this ambition, however, the public sector must first overcome several intimidating challenges around automation (see Figure 7). Some are particularly knotty for government organizations. The imperative to safeguard citizens' data weighs heavily on civil servants, for whom standards of trust and public expectations are higher (and where data may be particularly sensitive).

Similarly, finance must manage the automation anxiety of multiple stakeholders—from taxpayers to employers; from service-users to elected officials. Staying focused on innovation against this backdrop is not easy. Moving forward, it will be critical for the 52 percent of public sector finance leaders who cite employee resistance to working with non-human colleagues to resolve their concerns.

FIGURE 7
What issues are barriers to automation?



“I think that my employees notice that digitalization also has advantages. That the plausibility checks are taken over by IT, that there is no double work and that paper can gradually disappear. In individual offices, we have always used Excel to manually track the status of invoices. Today we can simply extract this list from SAP. People notice the simplification of work.”

Head of Finance, German Federal Agency

“It’s vital to deal with the fear that automation means the loss of jobs,” explains Mark Howard. **“We need to demonstrate that job losses didn’t happen as expected in either the private sector, or in the public sector where automation has been deployed already. In fact, trade unions are supportive once they understand that automation means higher-paying, higher-quality jobs for their members.”**

The head of finance at a German federal agency says she has been pleasantly surprised by the technology since its introduction. **“I think that my employees notice that digitalization also has advantages,”** she says.

“That the plausibility checks are taken over by IT, that there is no double work and that paper can gradually disappear. In individual offices, we have always used Excel to manually track the status of invoices. Today we can simply extract this list from SAP. People notice the simplification of work.”

Nevertheless, further automation will require careful planning. There is little point in automating processes that do not work well in the first place. And technology investments are inter-linked: successful automation will require accurate and consistent data to drive its work.

CATCHING UP ON TALENT AND SKILLS

Ensuring that they have access to the right skills is a growing challenge for public sector finance leaders. This may be difficult given the inflexibility of many governmental recruitment processes. But the right talent is essential to drive enterprise-wide cultural change.

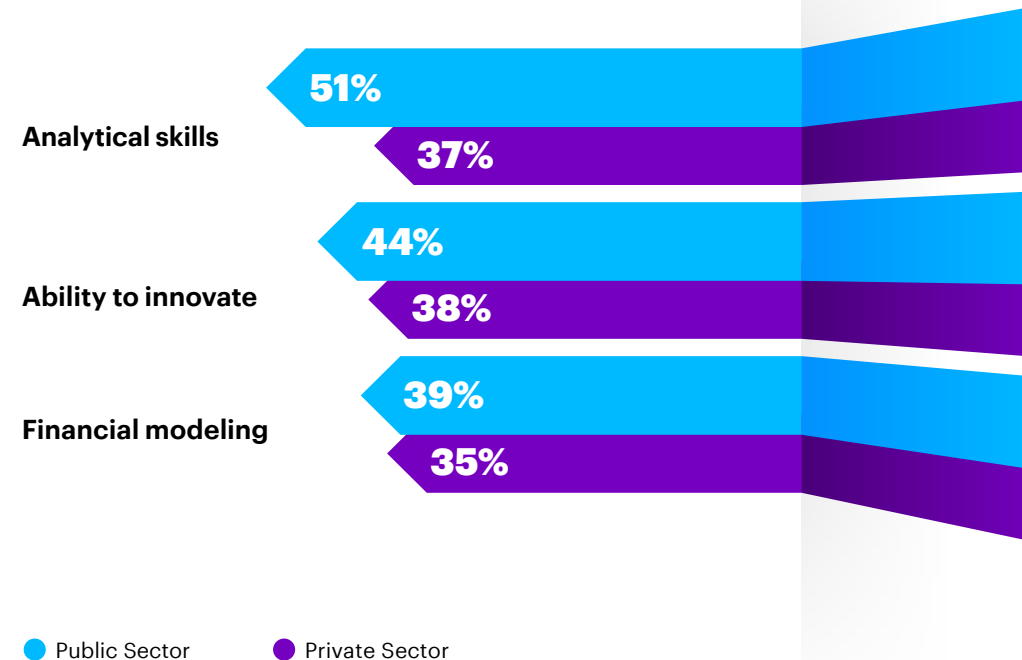


Our research suggests that public sector finance leaders certainly recognize the talent imperative. Significant numbers are striving to recruit non-traditional skills. Many are even focusing on these skills to a greater degree than in the private sector (Figure 8). This suggests they may have under-recruited these individuals in the past and are now “playing catch-up” with business.

More specifically, public sector finance leaders identify particular analytics capabilities as being “weak” or “average” in their organizations.

When asked about their ability to combine financial data with non-finance data and analyze it effectively, 39 percent of respondents rate themselves as average or weak. The same proportion express concerns about being able to embrace predictive reporting, while 37 percent are worried about their ability to identify which data sets contain the most potential value.

FIGURE 8
What skills will be most crucial when recruiting graduates/juniors over the next three years?



To solve these problems—and to confront the wider talent question—public sector finance leaders need to think laterally, particularly since they lack the resources and organizational freedom to recruit new talent at scale.

Bernard le Masson, Managing Director of Health & Public Service at Accenture Strategy, believes government organizations need to become more flexible about recruiting talent, potentially by using more contractors and freelancers.

“To begin with, it may simply be about getting a few people with data science skills into the organization, perhaps in the CIO’s function, as well as more relevant skills in finance itself,” he says. ***“Over time, we can train more people to get there.”***

As Figure 9 shows, public sector finance leaders are thinking hard about how they can build new capabilities, often considering more radical approaches than their counterparts in business.

FIGURE 9
How will new and essential capabilities be secured?

Empowerment/enablement of existing workforce to develop new skills

70%

45%

Create a collaborative and agile environment to ensure connectivity and cross-departmental sharing of ideas/insights

66%

45%

Remove traditional finance silos, pool resources across functional department

62%

36%

Engagement with the tech ecosystem

59%

37%

● Public Sector

● Private Sector

Many finance leaders are open to innovation in this respect. In Arizona, State Comptroller Clark Partridge says: ***“We are creating intern programs in which agencies throughout the state are participating. It encourages enterprise thinking and collaboration, but it also changes their perceptions of the public sector. They go back to their classmates talking about what we’re working on.”***

In Italy, Raffaele Zappa, Director of Finance and Administration at the Istituto Poligrafico e Zecca dello Stato, which produces coins, stamps and passports, says the key is to identify change-makers. ***“I’m working with 10 or so of the 50 people in my function, focusing on upskilling them with my personal attention,”*** he explains. ***“Over time, this group will pass their learning on, and we will change the culture of the organization.”***

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Clark Partridge, State Comptroller, Arizona

Conclusion and key takeaways

In the broadest possible sense, public sector finance leaders must reimagine the entire function—exploiting new technologies such as automation and data analytics to increase the strategic influence of finance.

In turn, finance can become the enabler of digital transformation throughout the organization, ensuring public sector entities can do more with less, despite ongoing financial pressures.

To make this transition, finance leaders across government should focus on the following priorities:



Digital ROI

Demonstrate the ROI available from digital technologies in a public sector setting. And learn to get better at measuring it more broadly, communicating gains throughout the organization.



Automation

Change the conversation around automation, focusing on how it will enable employees to move into more rewarding roles and free up resources for value-added tasks.



Data insight

Take ownership of the data agenda, positioning finance as the go-to function for actionable insight—and in doing so, build a stronger business case for funding.



Public value

Confront misguided preconceptions about what working in the public sector entails, highlighting its contribution to society and the greater public good, to engage a new generation of talent.



Funding

Consider new and innovative funding models, including ideas such as revolving funds, contingent fees and capital raising.

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About this research

The data published in this report is based on a survey, carried out by Longitude, of 187 senior finance professionals. Respondents were employed across city-level, national/central and regional branches of government. They were based in Brazil, France, Germany, Italy, the United Kingdom and the United States.

As part of this research, Longitude also carried out qualitative interviews with five individuals from Italy, Germany, the United Kingdom and the United States. Interviewees worked in higher education, regional government and federal government agencies.

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