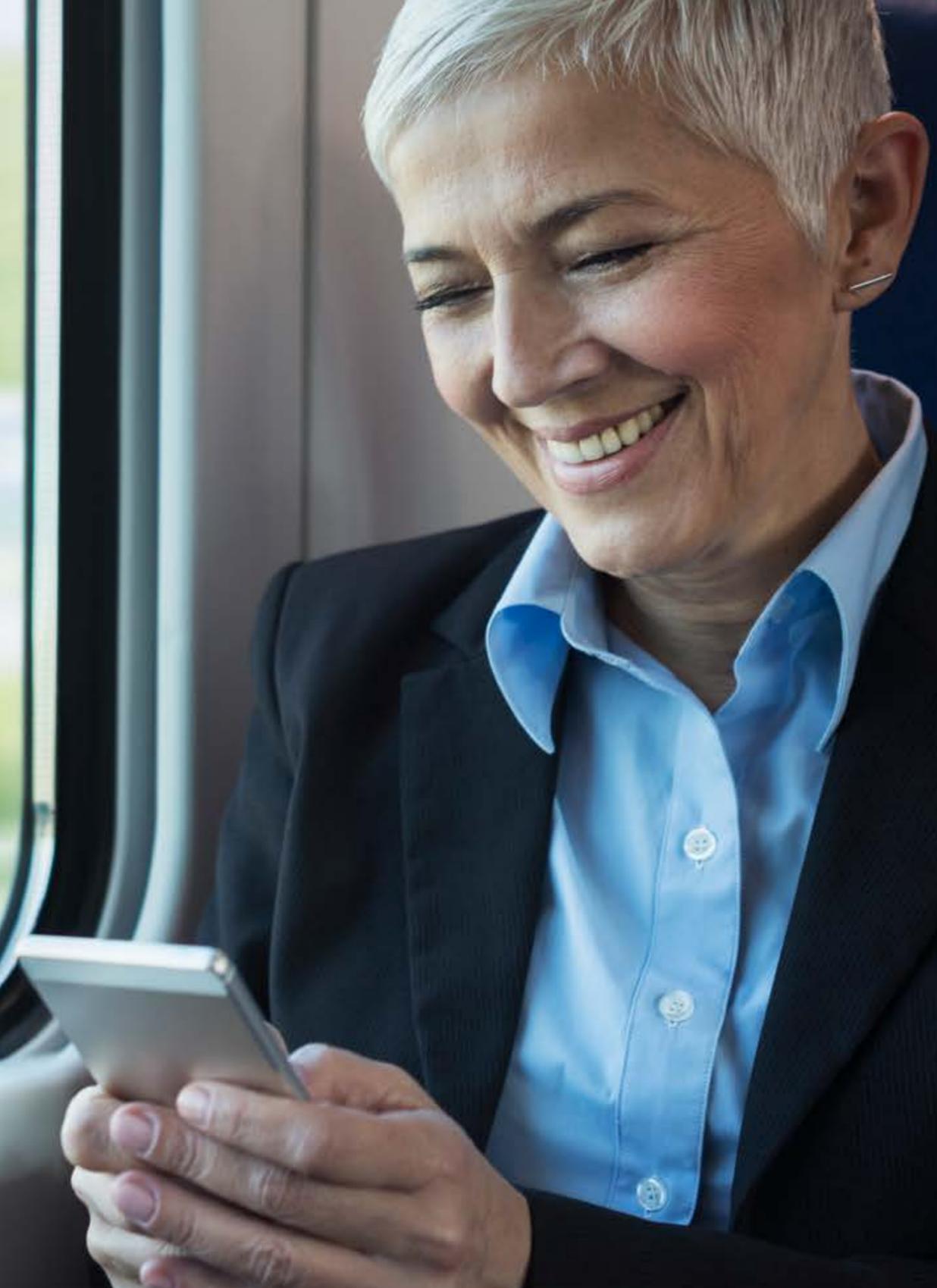


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# Breakout speed

**How banking CFOs are  
building the new future**





## **Banks face more uncertainty now than at any point since the global financial crisis.**

As the world starts to look beyond the pandemic, governments are preparing to rein in their spending, raising concerns about the financial viability of many debtors.<sup>1,2</sup> Meanwhile, persistently low interest rates in Europe, the UK and the US are keeping lending margins low.

**Nonetheless, the mood in the industry is far from bleak. Armed with substantial capital buffers, banks are generally better placed to manage disruption than they were in the 2000s and early 2010s. Many are ramping up the digital transformation journeys that enable them to stay relevant and deliver innovative new services to their customers.**

Our new research—which forms part of Accenture’s global CFO Now study<sup>3</sup>—sheds light on the CFO’s instrumental role in this transformation agenda. One in two banking CFOs (49 percent) tell us that identifying and unlocking value, such as through developing new business models, has been a major focus during the last two years. They are also more likely than their peers in other sectors to be prioritizing product and service development.

Lee Wai Fai, Group Chief Financial Officer, United Overseas Bank Group, explains that value-adding is a priority for his team. “Previously, just to make sure

that your books closed on time was a great achievement,” he says. “Through technology, we have changed all those processes. So, that frees up people to support the business strategically, rather than just producing reports.”

As banking CFOs consider their place in the future of their industry, our research highlights challenges that will cause them to further expand their reach. These include: greater scrutiny of environmental, social and governance (ESG) and sustainability reporting; a growing urgency to digitalize within the function; and a long-term shift to remote and more agile forms of working.



# 01 Environmental, social and governance scrutiny is growing fast

**In recent years, there has been a sharp rise in the number of financial services firms adopting ESG principles. To help investors understand the sustainability risks that businesses face, momentum is building to standardize ESG reporting by way of a globally recognized framework.**

The situation is evolving rapidly. In early 2021, the International Financial Reporting Standards (IFRS) Foundation created a working group to “accelerate convergence” in sustainability reporting and establish a dedicated standards board.<sup>4</sup> This follows progress already made by the Global Reporting Initiative, the Sustainability Accounting Standards Board, and the Task Force on Climate-related Financial Disclosures.

In the years to come, to meet these growing requirements around sustainability reporting, CFOs are expected to face increasing pressure to capture, validate and report large amounts of unstructured and variegated data. “This is a major ask,” stresses Ambrose Shannon, Managing Director at Accenture Strategy & Consulting.

Finance is, however, right to show leadership on these issues. **“Among all C-suite executives, the CFO is the logical choice to drive the agenda across the three Rs of risk, regulation and returns,”** says Shannon. “This means implementing measurement, analytics and reporting capabilities focused on the impact of ESG-related topics on the enterprise. There are huge implications for the profitability of many existing business models.”

Alert to growing investor pressure around sustainability, the majority of banking CFOs already have some responsibility in this area. Almost three in four (72 percent) tell us that finance takes ultimate responsibility for ESG in their enterprise.

As external parties increase their scrutiny of ESG performance, however, CFOs will need to step up to satisfy demand. Technology, including cloud and advanced analytics, will play a critical role in enabling the ambition. Today, 28 percent of banking CFOs are using artificial intelligence to improve the accuracy of their reporting. Greater investment may be required to deliver the robust analysis required to work with ESG-related data sets.

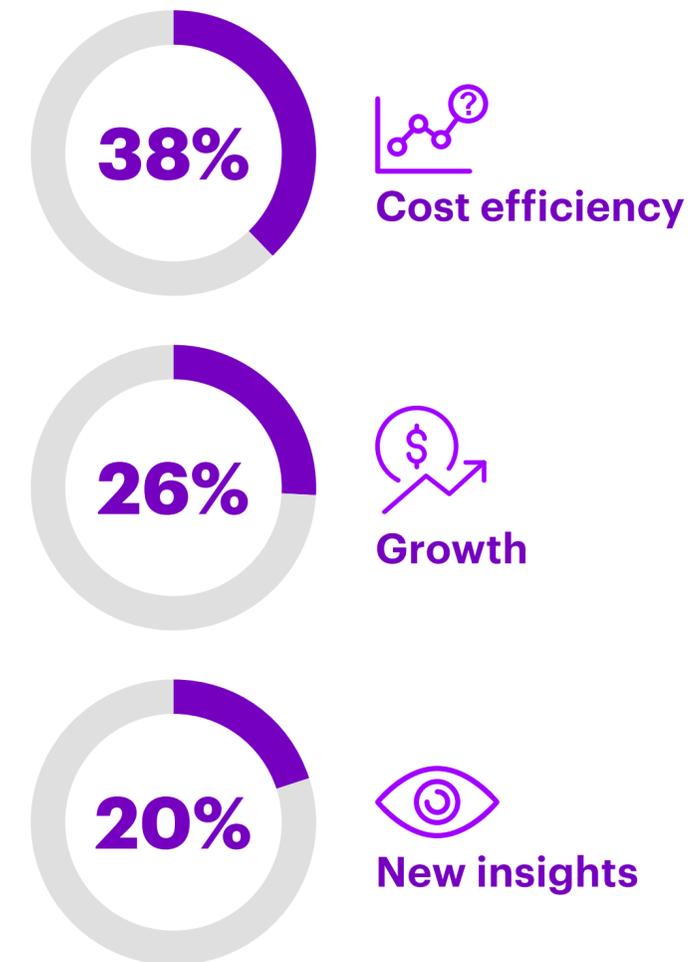
# 02 The charge toward greater digitalization

**Banks are digitalizing to improve efficiency, unlock data-enabled business models and provide enhanced services to customers. On an enterprise level, CFOs are heavily involved in shaping this modernization.**

But within the finance function itself, CFOs may need to do more to attain digital maturity. Our study suggests that banks' finance teams are not yet taking full advantage of the technologies on offer. When it comes to cloud, which provides the scalability that is essential to digital innovation, CFOs admit they are more likely to use the technology to enable cost efficiencies (38 percent) than to support growth (26 percent) and provide new insight (20 percent).

CFOs need to understand how cloud can unlock breakthrough speed and provide targeted capabilities. "Embracing cloud fully means completing several key steps," explains Chris Johnston, Managing Director and Senior Partner at Accenture Strategy. "These include moving reporting activity to cloud, advising on commercial contracting, and enabling new business models to leverage the technology." Cloud is also essential in meeting the other key challenges outlined in this report. "Finance teams should assess the role of cloud in meeting ESG metrics and enabling remote working," says Johnston.

**Banking CFOs are most likely to use cloud to achieve:**



Source: Accenture CFO Now Survey, 2021.

## 02 The charge toward greater digitalization

At the same time, a relatively low number of banking CFOs—compared with other industries in our survey—are using advanced analytics to drive new growth (34 percent), which is significant considering the importance of data to credit/lending products and customer targeting. Similarly, banking CFOs are slightly less likely than the cross-sector average to be shifting their focus toward predictive modeling, which will be key to achieve greater maturity around financial planning and analysis (FP&A).

Automation is another focus area for banking CFOs. Most have made clear progress with this technology, and one in three say that a key outcome of their recent work has been to improve operational efficiency through intelligent automation. To prepare for the future, extra consideration should be given to advanced analytics and machine learning, and how these technologies can enhance FP&A and other areas of finance.

The above technologies, which have been adopted to a greater or lesser degree across the industry, are at least relatively well understood. The final technology that banking CFOs should consider—blockchain—is still new to most industry executives.

Despite widespread concern about their long-term viability, cryptocurrencies have received a credibility boost in recent months. Their future impact on the global banking system is unknown, but banks should ready themselves for crypto-related disruption. At worst, according to some speculators, the emergence of these new currencies could disintermediate and remove the need for banks altogether.<sup>5</sup> Indeed, testing of a digital yuan by the People's Bank of China demonstrates that the industry is prepared to experiment with virtual currencies.<sup>6</sup>

At present, however, three in four banking CFOs (72 percent) admit that their business systems are not ready for a shift to virtual and cryptocurrencies. This is higher than the cross-sector average of 63 percent.

# 03 Workforce resilience and agility

**The pandemic disrupted how finance operates, catalyzing the shift to remote and more agile forms of working. In our study, more than three in four banking CFOs (77 percent) say the finance function, led by the CFO, will champion a new way of operating across the enterprise.**

In Singapore, Lee Wai Fai of United Overseas Bank Group says the crisis has accelerated ongoing efforts to improve agility. “Covid-19 is probably the best IT manager we have ever had,” he says. “Due to lockdown and social distancing restrictions, our sales process went down the drain because we were so used to meeting customers face-to-face. We started pushing for online engagement such as teleconferencing and online seminars, and slowly sales came back up. A crisis like this one has made us work a lot faster.”

As lockdown restrictions evolve worldwide, influenced by vaccination programs as well as the emergence of new strains of the virus, remote and agile working continues to be a front-of-mind issue for finance. It is also worth noting that the workforce itself, having grown familiar with remote working, may not want a complete return to how things were. Hybrid models are likely in many firms, which will require additional planning and adaptation.

“CFOs are putting in place the control and assurance structures required to enable continued remote working,” says Accenture’s Shannon. “On a more positive note, they see huge potential in being able to access talent from around the globe, as opposed to only the cities in which they have physical offices. This will help in finding new skills, such as analytics, which are in short supply in most markets.”

But how much progress are CFOs making toward the shared goal of an agile workforce? Despite some notable exceptions, and clear ambition on the part of finance leaders, at the time of our study just one in five CFOs were involved in enabling new ways of working across the enterprise. Meanwhile, around a quarter of operational finance executives were engaged in this strategic initiative.



## **04 The next steps to outmaneuvering uncertainty**

**As more data from more sources becomes available to banks, and as CFOs steadily improve their analytics capability, many are finding their role has become elevated and their responsibilities have expanded to include areas which, until recently, were of little concern to them.**

**In our global research, we see CFOs building on their three roles of economic guardian, architect of business value, and catalyst of digital strategy. Within the banking industry, our research also highlights three priorities that CFOs must address if they are to harness the breakthrough speed necessary to thrive in a fast-changing sector: ESG forecasting, automation, and skills.**

**The three priorities for CFOs seeking to thrive by achieving breakthrough speed:**

**1. Take a predictive stance toward ESG**

Banking CFOs are turning their attention toward ESG, and they should expect their responsibilities in this area to increase over time. With that in mind, they might consider how they can modify their forward-looking activity to prepare for upcoming sustainability challenges. Almost nine in 10 (87 percent) are scanning the horizon to navigate economic volatility; they should broaden its scope to map out emerging climate-related risks.

**2. Automate to enhance compliance**

Compliance remains a challenge, as regulators introduce stricter privacy rules and new demands are rolled out around ESG. CFOs should consider how technology can do more to lift the burden. To date, banking finance teams have automated an average of 62 percent of compliance activity. They may need to do more to keep up with demand.

**3. Embed new skills for breakthrough speed**

Banking CFOs have broadened their influence by introducing new communication skills into the function. Today, they should embrace breakthrough speed—meaning data-driven decision-making, better collaboration and, crucially, new skill sets.<sup>7</sup> Four in 10 (38 percent) are actively introducing advanced analytical skills into the function through recruitment or upskilling. In the future, these capabilities will also need to be supplemented by people with skills in cryptocurrencies and quantum computing.

**The sooner CFOs can master these capabilities, the faster they can shift their focus to driving the evolution of their business model and creating new sources of value. And this shift is how they can help their bank outmaneuver tomorrow's uncertainty today.**

## About the Research

Accenture has been tracking the changing roles and responsibilities of CFOs for the better part of two decades. In its seventh iteration, our research is based on online surveys with more than 1,300 senior finance leaders from around the globe, carried out between April and June 2020. The cross-industry survey included 196 respondents from the banking industry.

Accenture also modeled the ways that differentiated speed can be applied and measured—through predictive, data-driven decision-making, the deployment of digital technologies, and the zero-basing of workloads, for example. This was done with data from 245 S&P 500 companies, across 10 industries, enabling us to quantify the impact on revenue and EBITDA from 2020 to 2022.

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## About the Authors



### Ambrose Shannon

Managing Director, Strategy & Consulting  
ambrose.shannon@accenture.com



### Chris Johnston

Managing Director, Strategy & Consulting  
c.b.johnston@accenture.com



### Fred Kim

Managing Director, Strategy & Consulting  
frederick.kim@accenture.com

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