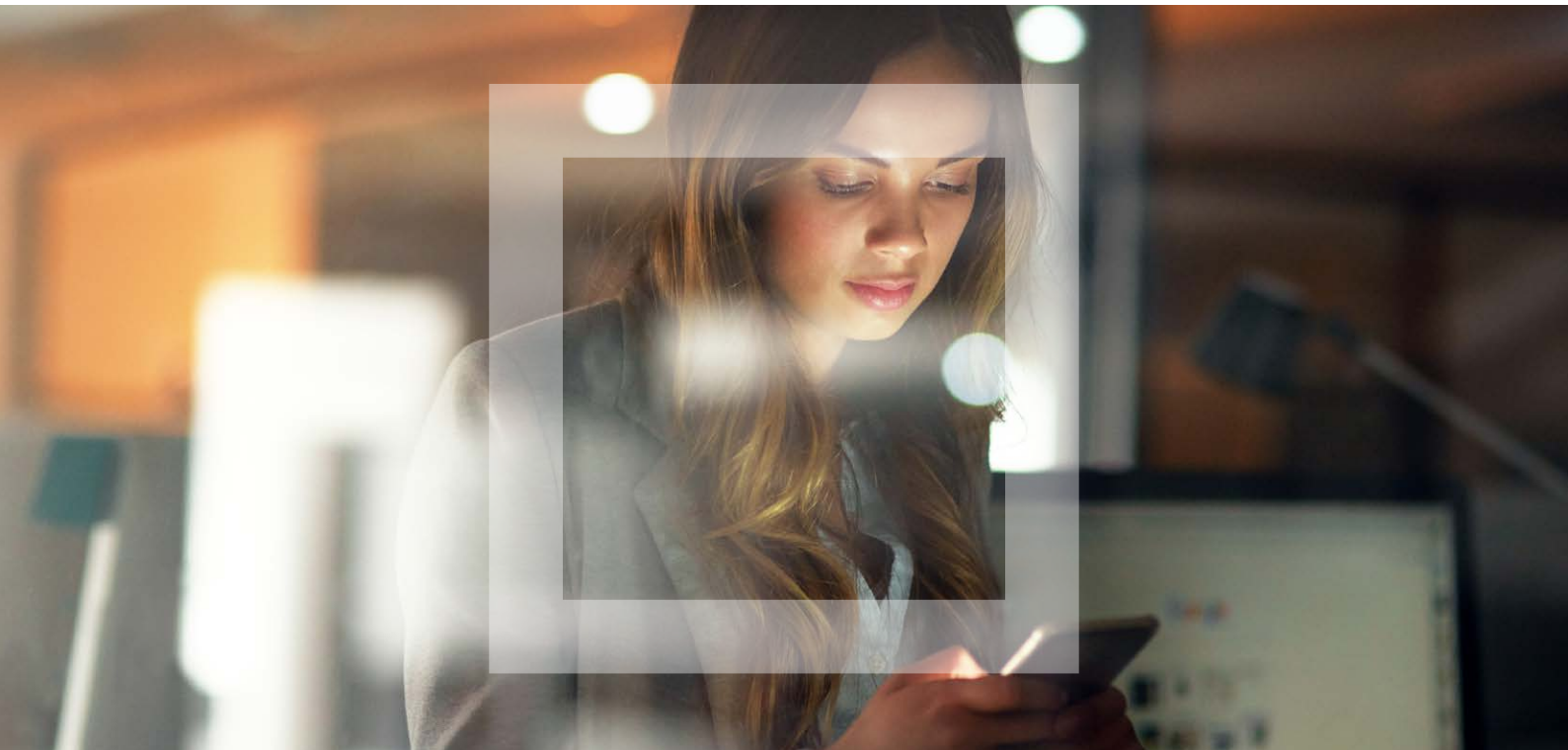


Finance Functions: Seizing the opportunity

The pandemic has placed renewed focus on how organisations operate, their financial strength to survive turbulent market conditions and their financial performance in testing times. Operational resilience and adaptability have also been key to their survival. Generally, finance functions have stepped up to the challenge and played an ever more significant role during this time. However, two-thirds of respondents to an ACCA / PwC survey think this heightened relevance will not last. Can finance functions capitalise on this moment and develop an increasing relevance to the organisations they operate within and to the stakeholders of these organisations?



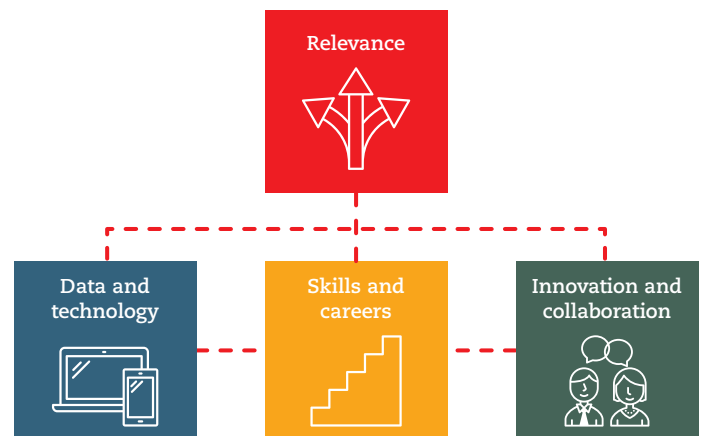
Finance functions and the pandemic

The phrase of ‘five years in five months’ has been used in many situations in relation to organisations during the past year. The level of achievement for organisations as they have sought to continue to trade, where possible, and to respond to changing customer requirements, both in ways that they interact but also in the products and services that they require.

It has been no different for finance functions and our survey which elicited over 3,000 responses globally, shows their response has focused on four key areas without which they would have all found it significantly more difficult to survive the economic crisis brought on by the pandemic. These four areas are as shown opposite.

Many finance teams have gained a seat at the table in the board room and with the business. For those who were already there, there has been an increased focus on what finance does and they have become increasingly relevant in all aspects of business decision-making. For some this relevance is around baseline measures such as cash flow analysis, revenue forecasts or budgeting but many have taken on a much more strategic,

forward looking role. The financial impact of the responses that organisations have been required to take has reinforced the need to be able to model an ever-changing set of scenarios as the situation has continued to evolve. Finance has been in many cases, and should be at the heart of this analysis, scenario modelling and decision-making.





Relevance

In earlier research by ACCA and PwC the changing role of finance was highlighted. If finance functions were to remain relevant then they needed to embrace a core purpose of three components, business insights, transactional efficiency and compliance and control. The respondents to the survey suggested that each of these elements have increased because of the pandemic. Organisations have demanded that finance teams provide greater insights and consequently the time spent in this area has increased. However, the compliance burden has also increased, partially in response to government interventions and the need to ensure operational resilience at a time when many organisations moved to a near 100% remote working from their traditional office-based model. The need for reliable and up-to-date information has placed challenges on transaction processing, especially on accounts payable/receivable where, for many, manual interventions and authorisations were still a large part of the process.

If the finance function is to remain relevant it also needs to accept that the landscape of performance has changed. Traditional planning and controlling cycles may well have changed for ever. The definition of performance is increasingly broad as stakeholders look at an organisation's performance through various lenses other than pure financial measures. This increase in performance reporting dimensions, encompassing a more holistic view of performance and more of an integrated reporting mindset requires the capture and understanding of new data sources.

Having said all the above though, the only way finance can drive more into the insight space and retain its focus on compliance and control is to continue to become more efficient and effective in how it operates. This is achieved by operating model changes to encompass new ways of working but also by embracing new technology and the power of data to drive process efficiency and insight generation.

Data and technology

Data has become ever more important in the pandemic. Being able to use the data, be that financial, operational or that which exists outside the organisation itself about competitor and customer behaviour and the economy, to derive credible scenarios for future actions has paid dividends for many finance functions. The respondents to the ACCA and PwC survey highlighted investment in Cloud-based solutions and

Cloud technologies as the most significant next step for their organisations. Amongst the benefits that these bring, Cloud-based solutions allow for greater volumes of data to be analysed and bring a whole range of analytics tools for finance teams to exploit.

Those who participated in the joint roundtables and who have already embraced this and implemented a suite of best-of-breed Cloud-based solutions clearly felt that the ability to access and manipulate data and, as a result, their experience in the last 12 months had been substantially improved. Some have undertaken tactical improvements, especially around accounts payable, during the pandemic to automate more of the process and remove layers of manual authorisation and intervention. Yet, most report, that their levels of internal control have not been comprised.

Another important area where finance needs to look at technology is around process automation which can help free time and make finance teams more efficient and collaborative. A theme repeatedly heard over the course of our research that "it would have been impossible without the technology".

Whilst for workers-from-home this covers video meeting tools, and it extends into other collaboration tools where people can co-create outputs in workshops and work on presentations, documents and datasets at the same time to drive insights.

Use of such technologies needs to be reassessed and accelerated as we now move into a hybrid office/virtual world. It can, however, only be driven by efficient and effective data collection and access to data sources.

Finance teams need to demonstrate their detailed understanding of the business model and its internal and external drivers. They also need to understand the data model that supports decision-making and the insights they need to generate around business performance.

The pandemic has focused attention on the human capital across the organisation. Climate change has not stopped, and Net-Zero deadlines are getting ever closer. With this broader definition of performance so the skill balance of the function will continue to change. Finance teams need to apply what they have learned in the pandemic about financial processes and data to these other forms of data collection and reporting too. The rapid evolution of reporting requirements and the need to embrace these in internal decision-making mean that time is running out.

Skills and careers

The nature of the business model within finance is changing. No longer is it acceptable to tell what has been, the pandemic has focused attention on the 'to-be' and the "what could be". Predictive and prescriptive analytics that use data to look forward are of increasing importance and the skills needed to build performance management frameworks that encompass them are in high demand. Our survey and roundtables showed that this data centric approach to driving insight and the skills needed to deliver it are often lacking in finance teams. Even where the data skills exist the insight is only really useful where finance teams are able to tell the story in a relevant manner.

This leads to the conclusion that a broader set of skills is becoming ever more important – from data and analytics to technology, influencing skills, and the desire to be inquisitive around data, explore it from a business angle and the confidence to challenge senior executives based on what the data is telling you. Performance is about many aspects and finance teams need to be able to interact across the breadth of this agenda.

It is important to not forget the mental health impact of the pandemic. Both in the immediate term but also in the longer term. There remains significant uncertainty for everybody around the workplace of the future. Finance teams reported a level of fatigue brought about by increased demands placed upon them, shortened timescales and uncertainties around their personal lives. Developing a way forwards from this presents a challenge. These conflicting uncertainties will remain for many years and if, as organisations, we move to more remote working models (as opposed to working-from-home) then much needs to change. In the shorter-term leaders need to appreciate the need to address these issues. In the longer term, whole new ways of working need to be adopted.

Innovation and collaboration

The pandemic has seen many finance functions work in ways that had not been anticipated. Some have come through immediate struggles to succeed. The narrative of how we work in future is clouded at present. What is certain is that organisations that are able to carry forward the lessons of innovation and creativity are those that will succeed. Innovation and creativity require collaboration. One factor highlighted by many in the research is how finance teams have become part of many more conversations. The role finance now needs to play is as a super-connector and trusted advisor across the organisation. Maintaining this relevance is perhaps the greatest challenge. Yet delivering insights from robust data and delivering well thought through arguments are at the heart of this.

And the opportunity...

For many finance teams the pandemic has continued to bring evolution. Whilst there is a positive story of continued relevance, there is also a gap between relevance and recognised improvement – the continued seat at the table.

Finance teams have a unique chance to seize the opportunity presented as we emerge from the uncertainty of recent times. The measures of organisational performance are broadening, to include the environmental, social and governance agenda, and the role of finance needs to continue to develop to meet these requirements. Finance teams need to help drive better business decision-making and to do this they must leverage data and technology and redefine the traditional performance management framework whilst increasing efficiency and reducing cost. The time to deliver this revolution in how finance operates is shorten and the change needs to begin in earnest if finance teams are to remain relevant.

AS SKILLS BECOME MORE FOCUSED SO CAREER PATHS WILL CONTINUE TO CHANGE. THE SKILLS THAT ARE VALUED ARE EVOLVING BUT AT THE CORE IS ADAPTABILITY AND FLEXIBILITY FOR THE CHANGING WORLD. UNDERSTANDING THE MULTI-TALENTED TEAMS THAT FINANCE NOW NEEDS IS A KEY TO SUCCESS.

There are six key actions for the post-pandemic finance function to consider to assist it in capitalising on the current opportunities:

1. Redefine the focus of finance to include broader performance metrics for natural and human capital.

2. Invest in technologies that can be used to create and support an enterprise-wide data model.

3. Use predictive analytics based upon this model to drive more holistic business decision-making.

4. Enhance business partnering and analytical skills to ensure that finance can fulfil this new role across the organisation and continue to improve collaboration both across it and with external parties.

5. Drive for greater efficiency, productivity and standardisation across processes and common platforms.

6. Through these actions, establish finance as the central point within the organisation for achieving sustainable and responsible growth and enhancing the reputation of the organisation.