

The smart finance function in today's complex world



About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 162,000 members and 428,000 students in 173 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 91 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

This paper outlines ACCA's smart finance function campaign, launched in April 2014.

The campaign showcases the good practices, challenges and opportunities that corporate finance functions face. It explores how the quality of finance leadership, the adoption of breakthrough technologies, better people practices, and innovative thinking can transform the finance function.

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Introduction

Today's global business environment is disruptive and volatile, creating an unprecedentedly complex and nuanced operational environment for businesses. The changes facing today's corporate leaders are significant, with a multitude of challenges and opportunities for creating sustainable growth and value. Some of these are broad social changes: the unstoppable rise of digital technologies, and the proliferation of social media, and the emergence of a much more mobile, connected and powerful consumer generation. Within business itself, senior managers must oversee increasing automation and the application of the technology of the new 'industrial revolution'; multiple channels to market; transitioning business models; and the response to new agile competitors. At the same time, they face economic rebalancing across global markets; a refocusing on talent as the catalyst for growth in the knowledge economy; demographic and natural resource challenges; social and environmental considerations; stakeholder scrutiny on corporate reputation in a 24/7 connected world; and the proliferation of risk and new security challenges.

What is the role of today's finance organisation in this changing world? The finance function's overriding priority has always been to support the enterprise in creating and preserving growth and value. In that sense, this is not a new agenda, but here there are two issues. Firstly, it is fair to say its internal corporate reputation has often been biased towards that of the steward, the control centre for the organisation, rather than the catalyst for

enterprise growth. Too often, the term 'back office' has been used to describe the natural operating terrain of many corporate finance departments. Secondly, the amount of change that the enterprise faces in today's environment is unprecedented. In this new environment finance too must adapt its ways of working so it can be fit for purpose in meeting the changing needs of the enterprise. At the heart of the matter is this: within all this complexity, how can today's finance leaders step up to lead the enterprise in its growth strategies and achieve an appropriate return on its assets, while continuing to ensure effective risk management and stewardship of the enterprise? In short, how can the finance function work smarter?

THE SMART FINANCE FUNCTION

With complexity and data proliferation, it has become particularly difficult for business leaders to know whether they are taking the right commercial and operating decisions to drive enterprise growth and shareholder return: more choices mean more opportunities to fail. Increasingly the CEO and the board turn to their finance counterparts to help make sense of all the data, to help cut through this complexity, and to provide more informed analysis on the business and its operations.

Why is the corporate finance department best placed to do this? It is the corporate function that has always been trusted to generate accurate, independent information on the performance of the organisation using the data it has available. There is

perhaps another reason too: embedded in the ethos of the finance function are qualities of independence, objectivity, and the capacity to exercise professional judgement – qualities that are valuable in taking decisions in a data-driven, higher-risk and complex business environment.

The opportunity then, for today's finance organisation is clear. In this environment of significant change, if finance can achieve its twin ambitions of generating the insights that are at the centre of better corporate decision making, while continuing to ensure effective control of the enterprise, its reputation as a catalyst for growth, and not just as the business's financial steward, will be guaranteed. Here the trick is in striking the right balance. Progressive finance functions recognise that effective stewardship and control of the organisation are fundamental in earning the mandate to lead its commercial and strategic support activities.

Today's smart finance functions excel on several counts. They run their finance operations as cost effectively as possible, leveraging technology and evolving the finance construct to drive down finance operating costs; they bring deeper levels of stewardship and control to bear, ensuring that the enterprise has the appropriate platform and a solid foundation to support growth; and they demonstrate real progress in providing the information and data insights needed by the enterprise to chart a path to growth.

ACCA's global campaign

In April 2014, ACCA initiated a global programme of research and insight activities to understand the leading practices finance functions are adopting in their goal to becoming smarter. How are best-in-class finance functions now delivering the insights that make a real difference to corporate performance, whilst continuing to drive effective stewardship and control of the enterprise?

The campaign has identified a number of critical areas in which progressive finance functions must look to excel. Over 18 the campaign will seek to understand and showcase the good practices, challenges, issues and opportunities corporate finance functions face in working smarter in four key areas.

WORKING SMARTER THROUGH EFFECTIVE FINANCE LEADERSHIP

The evolving role of today's chief financial officer reflects the changing expectations the corporate enterprise has of the nature of finance leadership and the role of today's finance function. The quality of finance leadership is fundamental if the finance organisation is to achieve its ambitions and meet higher corporate expectations in a changing environment. So the essential question is this: what are the qualities and capabilities of most value for effective leadership performance by today's chief financial officers. ACCA's campaign will consider different aspects of today's CFO role. It will involve a closer examination of the influences that shape the particular leadership style and capabilities CFOs need, and outline how different factors can shape the optimal profile of a finance leader for a given business. The campaign will consider how, in practice, CFOs should lead and structure their finance operations to become more effective, as well as how finance leaders can develop the appropriate ambition and culture in the finance organisation to guarantee success.

BECOMING SMARTER THROUGH LEVERAGING TECHNOLOGY

The quality of technology that today's corporate finance function can access will be fundamental in achieving its ambitions of greater efficiency and process mastery, more effective controllership, and provision of greater business intelligence and more insightful performance management. The advent of social, mobile, cloud and analytical technologies could revolutionise how finance performs its activities and where it adds most value. ACCA's campaign on the smarter finance function will investigate the significant challenges the finance organisation continues to face from current technology, the implications of big data and the need for greater insight, and highlight and identify new technology solutions that could help finance achieve greater enterprise value. The campaign will seek to identify the good practices that leading finance functions are adopting in relation to technology and will consider the specific role finance leaders themselves have to play in helping implement more effective finance technology solutions and in cultivating a finance culture which embraces different aspects of emerging technology.

BECOMING SMARTER THROUGH BETTER HUMAN CAPITAL PRACTICES

On the journey to working smarter, the astute finance leader recognises that it is the talent, skills and capabilities of the finance team that are the essential components of success. The traditional talent equation in the finance department is changing. As the remit of the finance function has expanded, so too has the need for new skills, capabilities and behaviours. Finance career paths are evolving away from the traditional pattern, reflecting the growing aspirations of a new cohort of finance professionals who seek out broader business careers, as well as changing organisation structures and role disciplines. There are also broader technological, demographic and geographic trends affecting the talent requirements of the finance function, and the learning landscape continues to evolve rapidly. ACCA's smart finance function campaign considers the implications for organisations in attracting, developing and retaining the skills and capabilities needed in the finance function, and what the implications are for future career paths and next-generation finance leadership development.

BECOMING SMARTER THROUGH EFFECTIVE TRANSFORMATION OF THE FINANCE ORGANISATION

Transformation of finance activities and operations is an essential component of the transition to smarter working. Increasingly, CFOs and finance executives have looked to shared services and outsourcing to drive greater efficiency and effectiveness in finance operations. ACCA's smart finance function campaign considers different aspects of how CFOs and transformation leaders can drive successful finance change programmes, looking at the implications for both shared services and outsourcing and the retained finance organisation. From the push to reduce costs through labour arbitrage and cheaper operating locations; the achievement of greater process excellence through standardisation and centralisation, better control, transparency and risk-management approaches, enhanced scalability and better flexibility to support the business; and, critically, the refocusing on the role of the retained finance organisation, ACCA's campaign highlights the challenges and issues CFOs should be addressing and the good practices they should adopt as they transform their finance operations to smarter working.

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