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FINANCE FUNCTIONS: SEIZING THE OPPORTUNITY

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We work with our stakeholders to build trust in society and solve important problems. From developing new technology solutions to address our clients' challenges, to helping people build digital skills, to enhancing the quality of our services, and much more.

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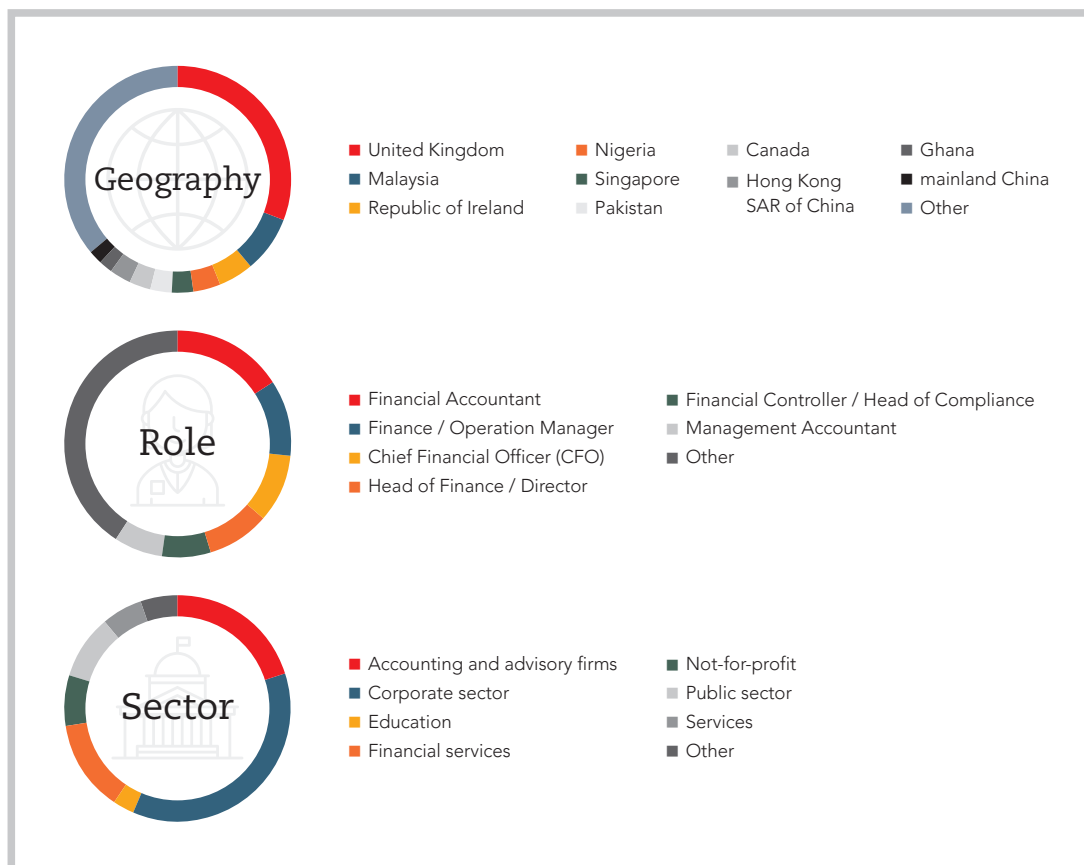
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FINANCE FUNCTIONS: SEIZING THE OPPORTUNITY

In 2019 and 2020 ACCA and PwC jointly published reports that looked at the future of the finance function. The first report, *Finance – A Journey to the Future*, focuses on its role and how data and technology were at the forefront of its evolution. The second report, *Finance Insights – Reimagined*, develops this narrative and considers how deriving insights and strategic decision-making are fundamental to the contribution of the function to its organisations. In this third report, we consider that journey and whether the pandemic has provided an opportunity for finance functions to develop that valuable contribution.

The report is based upon several interviews and virtual roundtables that were conducted in April 2021, together with a survey of ACCA members and affiliates, PwC contacts and various chief financial officers (CFOs). This must be seen in the context of the pandemic at the time that these activities were undertaken. To provide a reference point for this, the Appendix provides data by location about the status of the pandemic on 12 March 2021, when the survey was launched.



Foreword



Helen Brand
Chief executive, ACCA

The global pandemic we are currently experiencing has created challenges for us all. These challenges exist on a personal level but also on a professional level as we look to adapt to new ways of working, develop new skills and cope with the turbulent economic and trading conditions we are seeing across all industries. The impact of the pandemic and the changes that result from it probably will not be known for some time, but they are sure to affect us for many years to come.

During the past 18 months, the work undertaken by accounting and finance professionals has taken on greater significance in most organisations. Never has there been such a need for finance teams to demonstrate a deep understanding of the organisations they work within. Many teams have stepped up to meet these demands and played a significant role in the response of their organisations.



Brian Furness
Global head of finance consulting, PwC

This understanding of the organisation is needed to bring insight to planning and forecasting around costs, revenues, and cash flows and to help the business understand where to invest for the medium to long term. Finance has definitely had a seat at the leadership table, and this has taken some extraordinary work from individuals at all levels of the team from the CFO to the most junior accountants.

We now need to look at what we can learn from the pandemic, how can finance maintain this renewed relevance and status within the organisation and how does the function need to evolve to capitalise on the opportunities with which it is now presented. Undoubtedly finance professionals need to continue to invest in developing fresh skills as the “new normal” takes shape. They need to recognise that it is essential to continually invest in themselves. Successful careers of the future will have a multiplicity of skills but having foundations in technology, data and strategy as well as being able to interact and collaborate effectively are keys to this.

Finance teams need to adapt to new ways of working, embrace emerging technologies and broaden their focus from the traditional areas of financial reporting to those that interest a growing group of stakeholders who are interested in Environmental, Social and Governance reporting in such areas as sustainability, inclusion and diversity and social impact. Finance has a pivotal role to play in these areas. Gaining skills and knowledge around these disciplines will be essential for the finance professional.

Our report shows that, amongst the undeniable challenges and trials for enterprises and the employees within them, opportunities have emerged from the backdrop of the pandemic. Finance functions now can recognise the lessons and capitalise upon these – and invest, grow and cement their central role in defining the future success of the organisations they serve.

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Executive summary

'THE PANDEMIC HAS CAUSED US TO RECOGNISE THAT AS A FINANCE UNIT WE NEED TO BE ROBUST. WE NEED TO BE RESPONSIVE IN AN IMMEDIATE AND EFFECTIVE MANNER.' (A CANADIAN CFO)

The experiences of the last 18 months have changed many aspects of our lives. Some of these are already visible, while others will emerge as the pandemic continues to evolve and organisations continue to need to respond to rapidly changing circumstances. The phrase 'five years in five months' has been used in conversations to reflect the impact of transformational change on many organisations. For finance teams, that means a renewed focus on the following four areas:

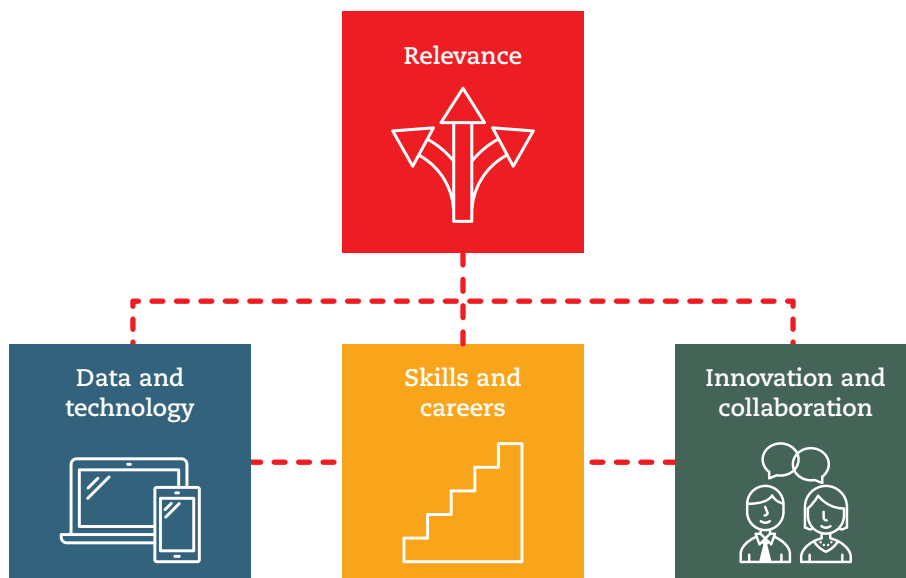
- its overall relevance to the organisation
- the data that it accesses and technology that it uses
- the skill sets that it needs to be successful
- how it innovates and collaborates with other teams across the organisation.

While many who contributed to the roundtables run by ACCA and PwC in March and April 2021 spoke of an opportunity for finance in areas where it had become increasingly relevant, only 34% (see Figure 2.12) of those who responded to the survey (conducted in March 2021) that accompanied the roundtables undertaken as part of this research believed that this would be a long-lasting change. There is a risk that this significant gain will be lost if the benefits are not clearly articulated.

In this research, ACCA and PwC consider how finance functions have responded to the pandemic so far.

Before the pandemic, as explained in section 1, the conversation was about how the role of finance should be expanded. The availability of data and Cloud-based

FIGURE ES1: Four areas of change for the finance function because of the pandemic



applications was creating an opportunity for greater insight. The role of finance business partners in supporting strategic decision-making was seen as ever more important. Increasingly, these individuals are looking to both financial and non-financial data sources to provide informed advice. The relevance of being forward looking rather than just assessing the past was essential. One CFO commented, 'saying that sales have increased from 100 to 120 because we have sold 20% more is no longer credible'.

Enter the pandemic. Finance teams have been stretched. They have been asked to do more in all areas of their work. Many report signs of fatigue and mental strain (see section 2.2). Yet many have seen an increase in status within their organisations. 'Never before have finance's perspectives become so sought after' is a frequent claim. For many, this change has been built on the availability of both data and the technology to analyse it. Those who were on the path to using Cloud-based applications have reported that their teams have been able to respond better (see section 2.4). There has also been a need to invest in the skills of the finance team to ensure that they have the requisite skills to do what has been asked of them. Increasingly, this involves collaboration with other teams: finance teams are truly the super-connectors.

The survey and roundtables showed that this data-centric approach to driving insight and the skills needed to apply 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 explain it in a relevant manner.

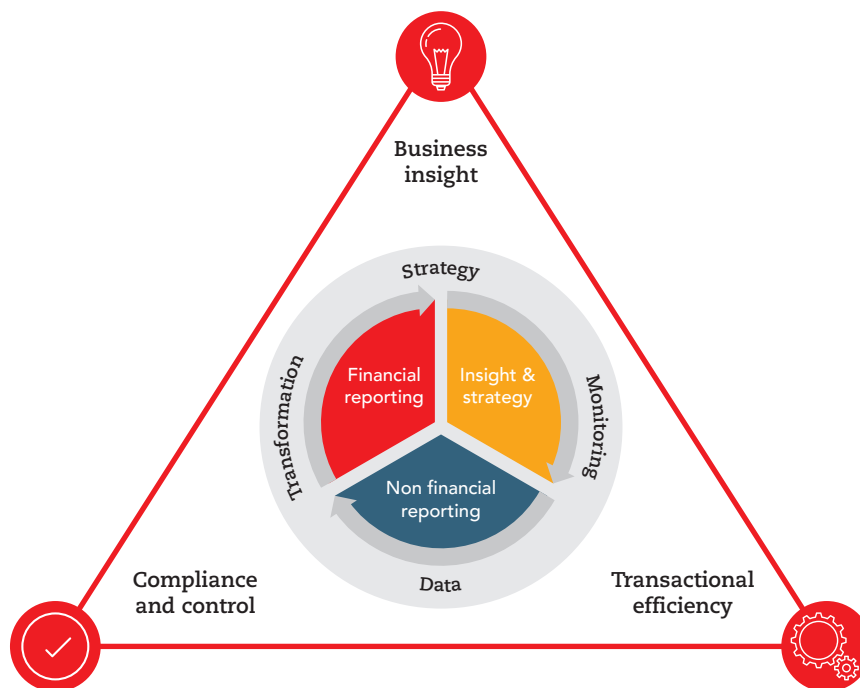
A CFO in mainland China reflected on this by saying,

'In your finance organisation, especially in China, you are not just accountants, because you must interact with people with a technology or business background. You must be mutually complementary. Within this organisational structure, we need people with various abilities to complement each other. I have heard of "all-rounders" in foreign companies, but it seems not [to be] the case in China. Our approach is to build a team with members of different abilities who collaborate with one another'.

There is a desire to 'build back better'. The phrase 'never waste a crisis' was often quoted in the roundtables. Yet for many finance teams there remains an unexploited opportunity. As explored in section 3, there is clearly much still to do to ensure that a greater percentage than the 34% of respondents to our survey are able to say that the reputation of finance has been improved. Many see the implementation of Cloud-based applications as important in the near future (see section 3.8) but with this needs to come a new view of performance (as discussed in section 3.7); one which also embraces non-financial elements. Collaboration across functions is essential. Finance teams are recognised as super-connectors and bringing that role to the fore is important, as is the adoption of an innovative and growth mindset (see section 3.9). This, together with other skills sets needed, will continue to ensure the evolution of finance and its career paths.

This research sought to establish where finance functions that had already capitalised on recent opportunities could become, and remain, even more relevant to their stakeholders. The conclusion seems to be that the pandemic has led to more of the same. Some finance functions have made more of their opportunities than others, but in general the wider-scale possibilities have been missed. It should be acknowledged that all teams have faced significant challenges. There has been uncertainty about remote and hybrid working, a need to develop new skills, and the extremes of productivity have been experienced. All these problems have characterised the past 12 months.

While attention has focused, rightly, on the immediate issues of the pandemic, the clock has been ticking. Net-Zero-carbon requirements are getting closer, and regulators and others are asking for greater disclosures. Internal decision-making needs to focus on both human and natural capital implications of decision-making. As chief financial officers (CFOs) are increasingly being reframed as 'chief performance officers' or 'chief value officers', so their function needs to embrace the four components of relevance, data and technology, skills and innovation, and collaboration. The new finance function needs to be comfortable with all aspects of performance.

FIGURE ES2: The finance function future?

The only way that finance teams can gain deeper insights and retain their focus on compliance and control is by continuing to become more efficient and effective in how they operate. This is achieved by making operating model changes to encompass new ways of working and by embracing new technology to drive process efficiency and insight generation. Achieving this requires an investment in skills and a reframing of organisational structures.

Career paths for finance professionals are changing. The overall skills mix of the function is changing.

While the pandemic may have enabled the finance function to increase its speed of evolution, there also needs to be a revolution if good opportunities are not to be missed.

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.

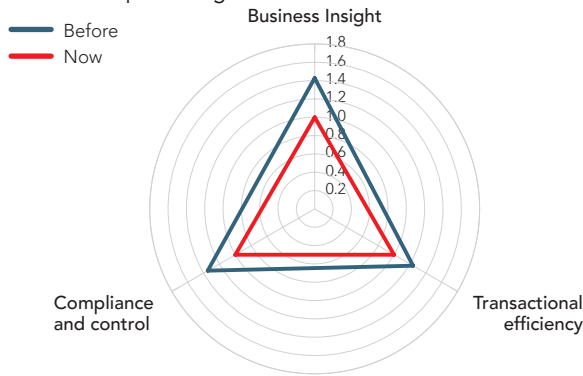
Seizing the opportunity – finance functions after the pandemic

Like many corporate functions finance teams have been tested by the pandemic. Are there lessons that can be learned from this and how can finance teams translate these into opportunities that they can realise? Learning the right lessons could be crucial to the survival of the finance function.



The changing role of finance

Finance functions continue to shift towards an increased emphasis on business partnering.

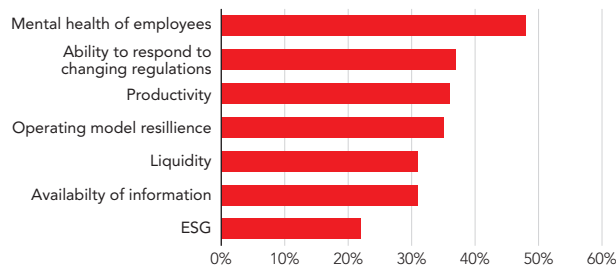


Post-pandemic action plan for finance

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.

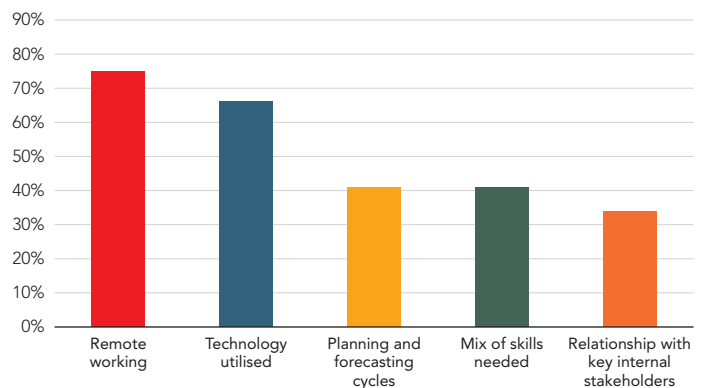
Issues facing the finance function

A number of issues are facing the finance function. Paramount for many is the wellbeing of employees.



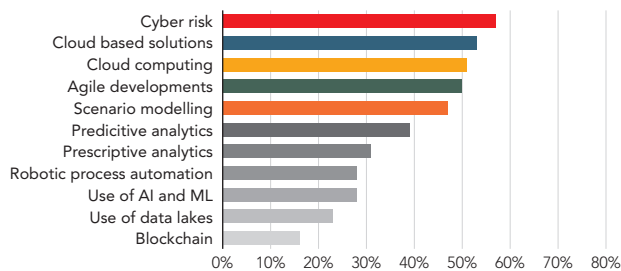
Lasting impacts

The pandemic has had some lasting impacts on the finance function.



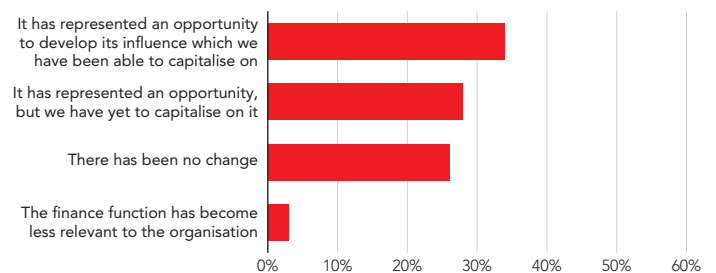
Advancing technology

The pandemic has changed the focus of our technology landscape.



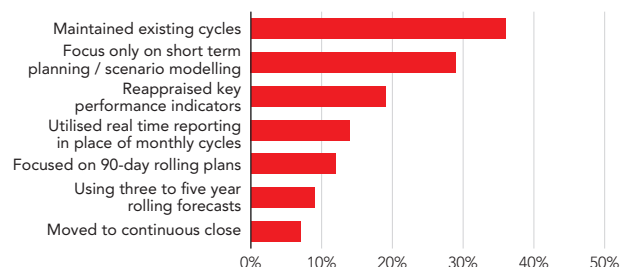
Relevance of finance

Finance has become more relevant to its stakeholders as result of the pandemic but there is more opportunity.



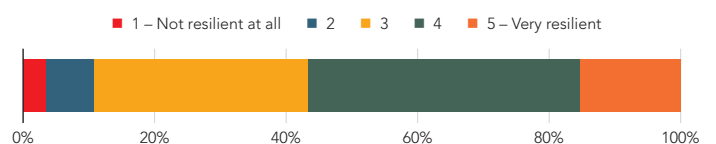
Changing the forecasting horizons

Scenario modelling has for many finance functions, become the watch word of the pandemic. What has happened so far?



Impact on internal controls

Organisations have been able to maintain their internal control environment.





Finance and the pandemic



The COVID-19 pandemic has created many challenges for us all, in both our personal and professional lives. From a business perspective, many organisations have faced a challenge for survival or a fundamental shift in how they need to deliver their goods and services to their clients and customers. The role of finance within these organisations has been critical to their survival and will continue to be important as we navigate our way out of the pandemic across the world and look to the future.

In the roundtables and interviews for our report, we have heard how finance teams have become more relevant within their organisations over the past 18 months. Planning and forecasting, cash flow and liquidity analysis, cost control and benefits management have come to the fore and, generally, we have seen finance teams step up to the challenge and gain greater respect, and a seat at the boardroom table.

The challenge for finance teams now is to continue to remain relevant, to build on the progress made during the pandemic and take a central role in helping define business strategy and direction. It would be all too easy to shrink back into a familiar scorekeeping role as the economy grows and we return to something closer to what was once normal. But this would be a wasted opportunity both for finance professionals and the organisations they serve.

The world we are emerging into will not be the 'normal' we have known before – the pace of change has accelerated; the impact of these changes is perhaps more uncertain than ever, and our working patterns have been disrupted by technology and the move to a hybrid future of office and remote working where teaming and collaboration are more challenging to achieve.

In uncertain times, the strategic analysis and decision-support activities finance undertakes are of increasing importance to the organisation. Finance teams need to continue to move further and faster to access these emerging opportunities. Finance professionals need to be more comfortable handling new and varied datasets, they need to embrace technology in the shape of Cloud enterprise resource planning (ERP), automation tools and analytics and visualisation applications, and they also need to adopt new ways of working to ensure that they remain efficient and effective in the hybrid office/remote working world.

Finance also needs to adopt a forward-looking viewpoint on risk and control, and it must help organisations spend and invest better. Becoming more operationally effective isn't just about cost cutting: it also means making better decisions about where you spend and invest and ensuring you maximise the value from the spend. Finance has a crucial role to play here.

Finance teams not only need to adapt to new ways of working but also need to broaden their horizons and prepare for the new role of finance. The number of stakeholder groups interested in organisational performance is increasing and the pandemic has shown us they do not care only about financial performance. The agenda is rightly moving to a more holistic view of performance, incorporating environmental, social and governance (ESG) reporting – climate change and sustainability, inclusion and diversity, social impact, human capital reporting and many other areas. This requires finance to extend beyond its traditional role of financial reporting and help develop and embed a new performance-management framework for both external and internal reporting.

Strangely, perhaps, the pandemic has presented an opportunity for finance professionals to show how important they are to the organisation and how their role can develop. Now we just need to seize that opportunity, continue to develop and upskill our people and be innovative in how we work across the organisation. If finance teams and CFOs can do that, I think they have a bright and exciting future.

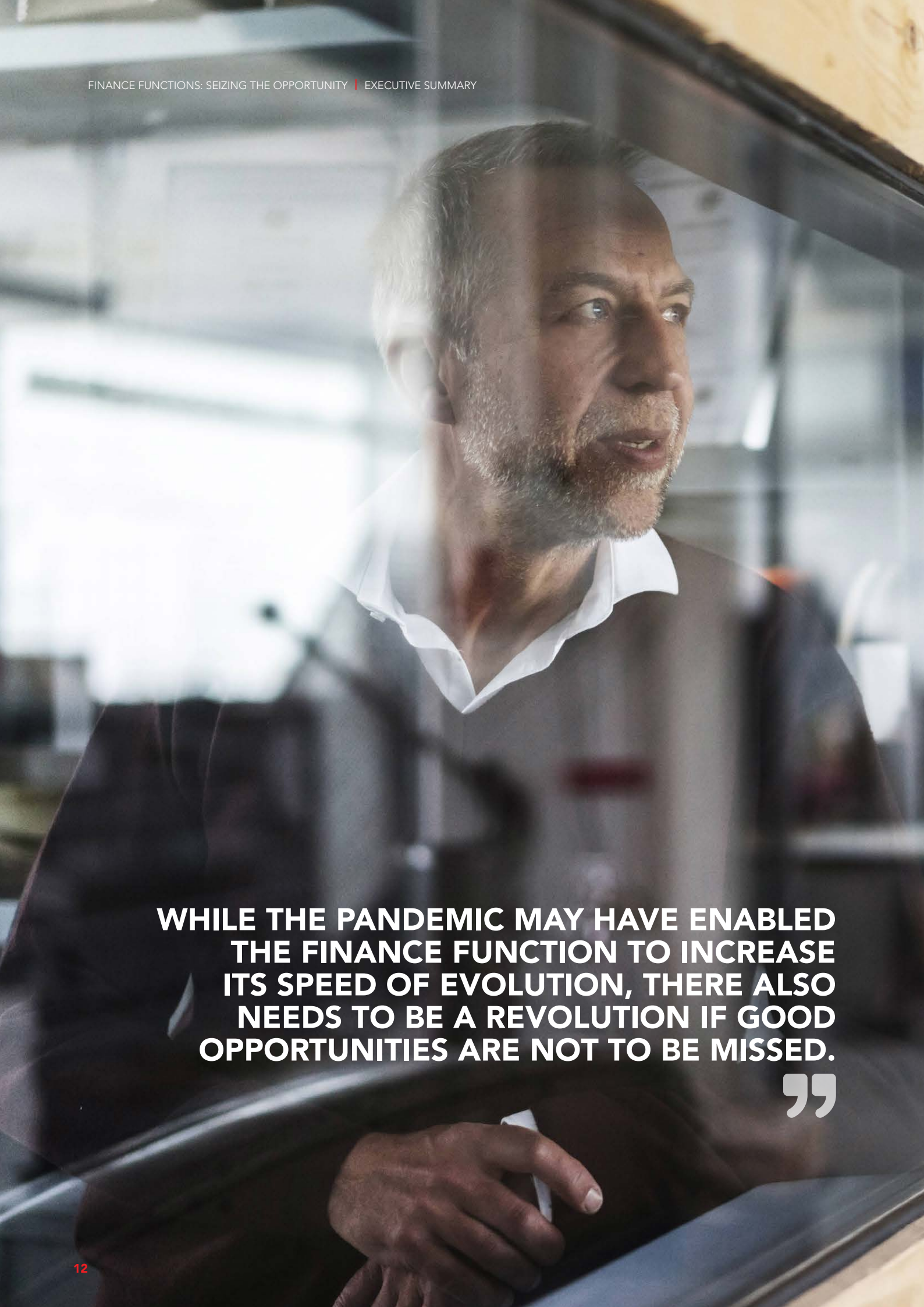


Brian Furness, Global Head of Finance Consulting, PwC

So, in summary, what should I do?

In this table we present a summary of the key considerations that have been highlighted by part of this research. Each of these recommendations is considered in the report.

IMMEDIATE TERM	
- Identify how to ensure that the efforts and contributions of the finance team are recognised in any 'lessons learnt' exercises. - Conduct specific finance-related assessments of lessons learnt and benefits realised. - Consider the extended use of mental health and well-being programmes, recognising that this issue is not transitory but part of the longer-term impact of the pandemic. - In the immediate term, well-being of employees remains a significant issue. Organisations need to develop robust well-being programmes for staff. - Ensure that you have a robust process for identifying lessons learnt from the pandemic and actions that can be carried forward. While the impact of the pandemic continues, it may be appropriate to consider undertaking this activity at regular intervals so that corporate memory is not lost.	
RELEVANCE	DATA AND TECHNOLOGY
- Develop an agile culture in the organisation but especially in the finance function. - Understand and work with the business model that sits on top of the data model to ensure appropriate management and governance of data. - Identify areas of opportunity for further improvement, using feedback from team members and stakeholders. - Consider whether the traditional planning and budgeting cycles are appropriate to the organisation. - Consider whether management information derived from these processes adds value. - Reassess your operational metrics in the light of the changing business models. - Consider whether the traditional planning cycles create the return needed against effort expended, or whether more agile and scenario-based approaches can be adopted. - Reassess your performance management (both process- and people-related) processes in light of the changed operational metrics and required business agility. - Develop a workplace culture that is fit for the dynamic times in which we live.	- Effective use of technology depends on equal access for all. Develop plans to assist employees, either through the provision of internet access to facilitate better working from home or by providing better equipment. - Recognise that access to transactional data as it is generated is important. - Focus on technology and processes that will capture data as cleanly as possible and once and once only. - Identify the technology applications that improve data quality and act upon them. - Continuously improve data quality and sources (both internal and external) and analytical capabilities to enhance confidence in the range of forecasts. - Ensure that the finance team have strategies in place to address the requirements of non-financial reporting. - Ensure that data collection activities reflect the data required to report both internally and externally. - Reappraise the performance management metrics in the light of the performance model. - Consider how sustainability and human capital are reflected in the performance reporting processes.
SKILLS	INNOVATION AND COLLABORATION
- Automate basic processes wherever possible, allowing investment to concentrate in value-added activities. - Support staff, who may well be working remotely for a greater proportion of their working hours, with better home office facilities. - Continuously improve the business insight skill sets of the function and continue to improve the links and collaboration with the operational departments in the organisation. - Reappraise the operating model of the function to reflect the dynamic demands on skills and talent. - Develop a workplace culture that is fit for the dynamic times in which we live. - Allocate sufficient, skilled, resources to the required activities. - Re-evaluate the skill sets and career paths of the finance team. - Invest in the appropriate skill sets, both technical and softer skills. - Ensure that the team has the skills to address the opportunities offered by natural and human capital.	- Identify areas of opportunity for further improvement, using feedback from team members and stakeholders. - Develop an improvement roadmap that transitions the finance function towards agreed goals that align with organisational strategy. - Recognise the continuous need for dynamic planning and scenario modelling for the future. - Reassess the approach to monthly close cycles and the need to deliver information in real time. - Adapt processes to minimise the journal entries and ensure that data is captured in as clean a manner as possible. - Focus on resolving recurrent journal issues. - Consider the lessons learnt from agile responses to the pandemic and how these can be applied on a continuing basis. - Recognise the imperative of the ESG agenda and that it cannot wait to be addressed after the pandemic.

A photograph of a middle-aged man with grey hair and a beard, wearing a dark sweater over a white collared shirt. He is looking out of a window, with his hand resting on a ledge. The background is a blurred industrial or office setting.

**WHILE THE PANDEMIC MAY HAVE ENABLED
THE FINANCE FUNCTION TO INCREASE
ITS SPEED OF EVOLUTION, THERE ALSO
NEEDS TO BE A REVOLUTION IF GOOD
OPPORTUNITIES ARE NOT TO BE MISSED.**

”

1. The changing role of finance

1.1 Seizing the opportunity

When the story of the COVID-19 pandemic eventually comes to be written, perhaps not for several years to come, it will be one that reflects many changes across society and the ways in which we work, both as individuals and collectively in organisations. It will be a story of opportunity and change as much as a story of the losses of those who have lost their lives and / or suffered as a result. The extent to which we seize this opportunity is under our own control. We should all subscribe to the aim of building a better society as a result. The accountancy and finance community has a clear role to play in establishing and enacting these changes. In the immediate term, much has already been achieved. The story of how the finance community has been evolving in the way in which, for example, it has supported the public health services across the globe is only just starting to be told.

As the political theorist Antonio Gramsci said,

'A CRISIS CONSISTS PRECISELY IN THE FACT THAT THE OLD IS DYING AND THE NEW CANNOT BE BORN; IN THIS INTERREGNUM A GREAT VARIETY OF MORBID SYMPTOMS APPEAR.'

GRAMSCI, CIRCA 1930

It is important to seize the new ways and not to mourn the old.

As with any seismic shift in society the changes will continue to evolve. This report explores the lessons learnt by accountancy and finance professionals even while the pandemic is still in progress. It is a story of positivity and increased relevance: one where finance teams have 'stepped up' and played a significant role in the survival of their organisations. As with any sudden change, there is a need to consider whether the enhanced contribution can be made longer lasting or, as we transition to a more sustained state, whether the role that they play will revert to previous norms.

Before the pandemic, there had already been a movement in the role of the finance function in many organisations. Two previous ACCA and PwC reports have explored this. The joint report, *Finance – A Journey to the Future* (ACCA / PwC 2019), considers the future role of the finance function. It explores the importance of data, technology and the skill sets that will be needed. The report concludes that there is an opportunity for finance functions to be increasingly relevant to the organisations of which they form a part but to ensure this they need to be more literate in several areas and to develop new skill sets. The second report, *Finance Insights – Reimagined* (ACCA / PwC 2020) considers the importance of the role of the finance business partner, especially in the context of decision-making and the broader context of the inclusion of non-financial information, such as that based upon the International Integrated Reporting Council's Integrated Reporting (or <IR>) framework (IIRC 2021).

It is in the context of this journey that this report has been prepared. How far have finance functions evolved along the path suggested? Has the pandemic acted as a further catalyst for change? What lessons can be learnt and applied elsewhere? Indeed, has there been an evolution, or even a revolution, in the work that finance functions do? Can it seize the opportunity?

1.2 Insights, compliance and transactional efficiency

The report *Finance Insights – Reimagined* (ACCA / PwC 2020) considers the evolving role that finance undertakes in an organisation, arguing that this could be broken down into three distinct areas of activity (Figure 1.1).

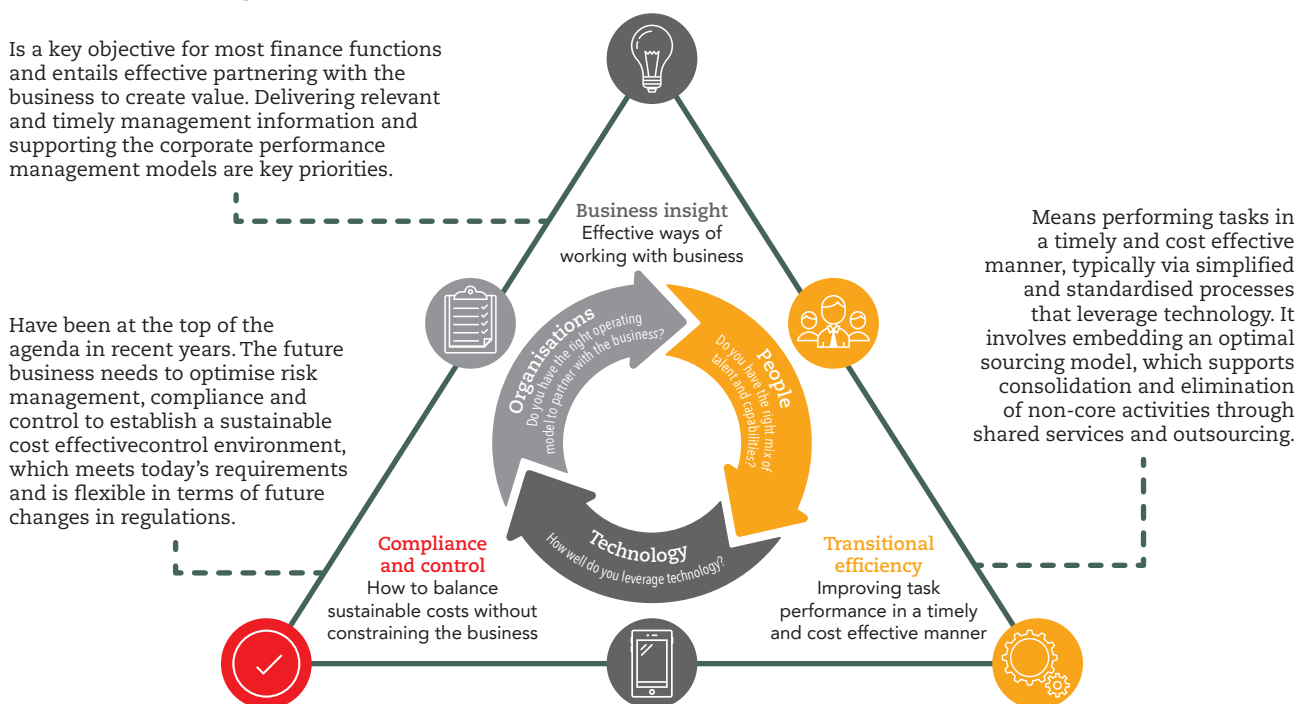
The first area is **transactional efficiency**. Finance functions have a fundamental role to play in the capture of data across the organisation. Data needs to be captured 'once and once only', effectively and cleanly. Once captured into the organisation it needs to be governed effectively to ensure that it is managed and appropriately coded. This activity is increasingly being automated and removed from the finance function into those other parts of the organisation where first contact occurs. The data needs to be available to those who need it on a real-time basis. This efficiency can be associated with a changing emphasis in the finance function as those involved need the skills to focus increasingly on resolving the inevitable outliers and erroneous transactions in a timely manner, rather than leaving these to the end and possibly failing to resolve them. Customers of organisations, be they other organisations or individuals, are increasingly intolerant of poor response times. With social media, the speed at

which reputations can be damaged has increased the need to respond in good time. The risk of reputational damage has also increased the need to capture unstructured data, such as emails, videos and social media posts, because these sources, and not just traditional transactions, are increasingly relevant in the decision-making process.

Compliance and control remain fundamental roles in the finance function. This area includes not only external financial reporting but also embraces areas of increasing relevance, such as reporting on the use of natural¹ and human capitals, because regulators and stakeholders in many jurisdictions are taking an increasing interest in these areas. It also embraces functions, such as risk management, that are also seen as increasingly important.²

In addition, the report *Finance Insights – Reimagined* (ACCA / PwC 2020) concludes that the development of business insights will be a fundamental role of the finance function of the future. The insights of finance business partners should assist in informing the strategy and must focus on ensuring that decisions are based upon full information available from sources across the organisation, and that the implications of these decisions are monitored and fed back to the relevant stakeholders.

FIGURE 1.1: Evolving role of the finance function



Source: Adapted from PwC

¹ ACCA 2020a considers some of the reporting requirements relating to natural capital.

² ACCA 2021a considers the importance of risk management in an organisation, especially in the context of the evolutions in response to the pandemic.

A CFO summed up the role of the finance function as ‘the oil that lubricates and keeps the engine running’. In a similar vein, a roundtable participant from mainland China commented, ‘our value [as a function] lies not in financial statements, but in analysis and in providing business insights, combined with some of our professional knowledge’.

1.3 Data and technology – the key enablers

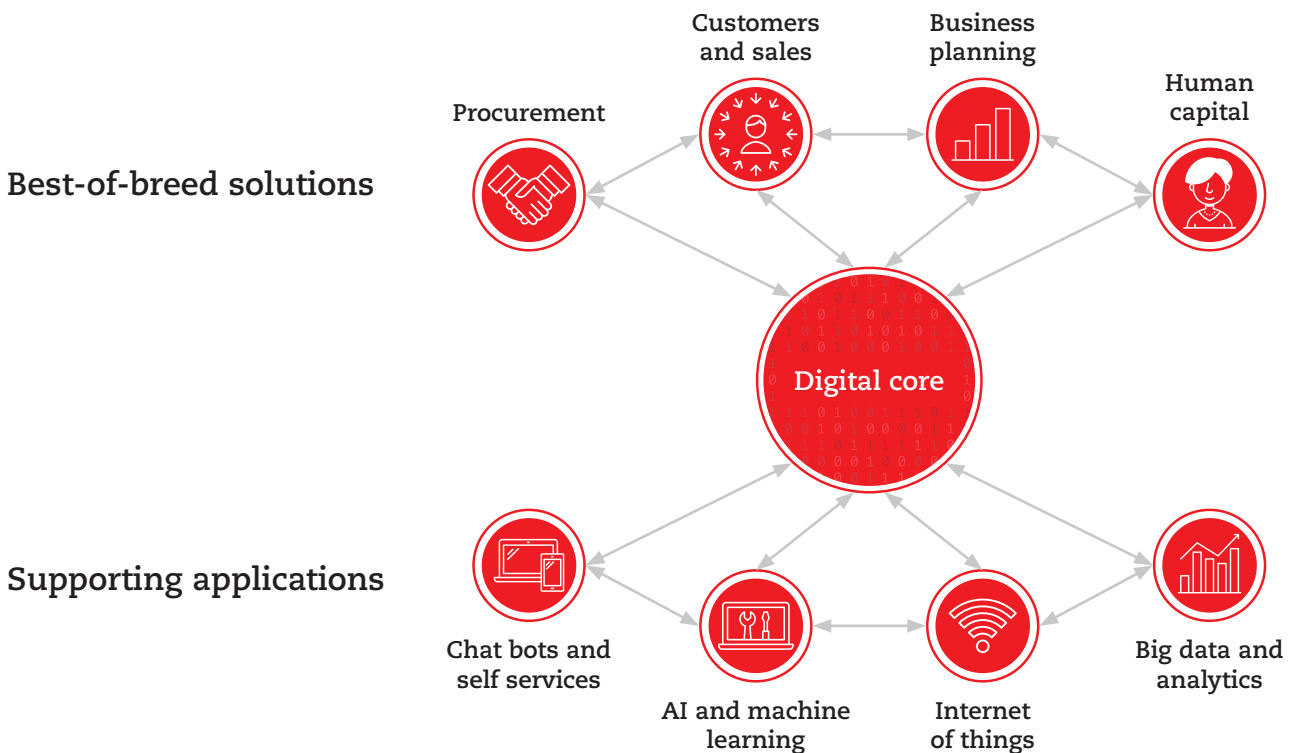
The importance of data and technology in facilitating this enhanced role for the finance function should clearly not be underestimated. The report *Finance – A Journey to the Future?* (ACCA / PwC 2019) introduced the concept of the **digital core** (Figure 1.2).

This represents a view of the technology and data architecture of an organisation that is supported by Cloud-based applications. These applications, so-called ‘best of breed’, are an integrated set of tools that share a common data architecture and are connected by a series of application programming interfaces (often termed APIs) that facilitate the real-time exchange of information

between applications. The accounting system is often the core part of this. With the move to Cloud-based applications, organisations have access to regularly updated software supported by Cloud-based storage providers. This moves the choice of technology from one based on capital outlay, which can be encumbered by investment arguments and uncertain upgrading cycles, to one based on operational issues. It also changes the dynamic between those responsible for technology in the organisation and the finance function. This has advantages for organisations in allowing the real-time transfer of data between applications while facilitating ease of access for users, subject to security considerations. The ready availability of information enables analytics, artificial intelligence and machine learning to facilitate scenario modelling and decision-making.

This application model is not just the domain of large organisations. Many smaller organisations can access the advantages of this platform architecture. This is considered in ACCA’s report *The Passionate Practitioner* (ACCA 2019).

FIGURE 1.2: The digital core



For some organisations, the challenge is finding how to migrate from legacy systems to Cloud-based applications, which often require adoption of more consistent business models as the extent of specific customisation is more limited. This is one of the challenges of the digital transformation programmes in which organisations have invested in the late 2010s. Some have used the concept of the 'digital twin' to visualise a redeveloped organisation that is not encumbered by the legacy of the past (see ACCA / Alibaba Cloud 2019).

Technology can be seen as merely the 'pipework' in the organisation. That may be to decry the importance of the emerging technologies such as machine learning and edge computing³ to facilitate the processing of data. In the similar vein, the valuable commodity is that which flows through the pipes, in this case data. The finance function's ability to achieve insights from analysing and interpreting the data is at the heart of making informed decisions.

Traditionally, finance functions have focused on rearward-looking interpretations of data. Using the analogy of driving a car, they have focused on what has already happened by looking into the rear-view mirror. While this can be informative, it is the forward vision through the windscreen that enables future potential routes (or opportunities and options) as well as hazards and risks, to be identified. The role of analytics in developing these insights is explored by ACCA and Chartered Accountants Australia and New Zealand (CA ANZ) in their report *Analytics in Finance and Accountancy* (ACCA / CA ANZ 2020). This report explores the case for the use of more forward-looking analytics, so-called predictive and prescriptive analytics (Figure 1.3 and Table 1.1).

The relationship between the reports *Finance – A Journey to the Future?* (ACCA / PwC 2019), *Finance Insights – Reimagined* (ACCA / PwC 2020) and *Analytics in Finance and Accountancy* (ACCA / CA ANZ 2020), can be considered as shown in (Figure 1.4).

FIGURE 1.3: Four types of analytics

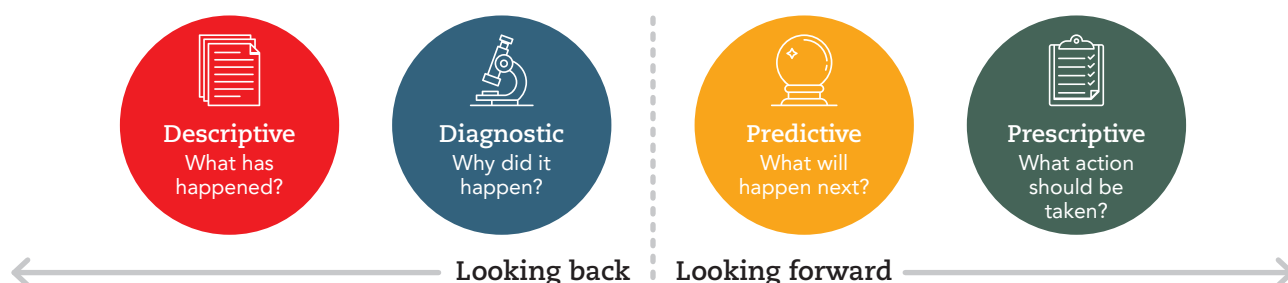
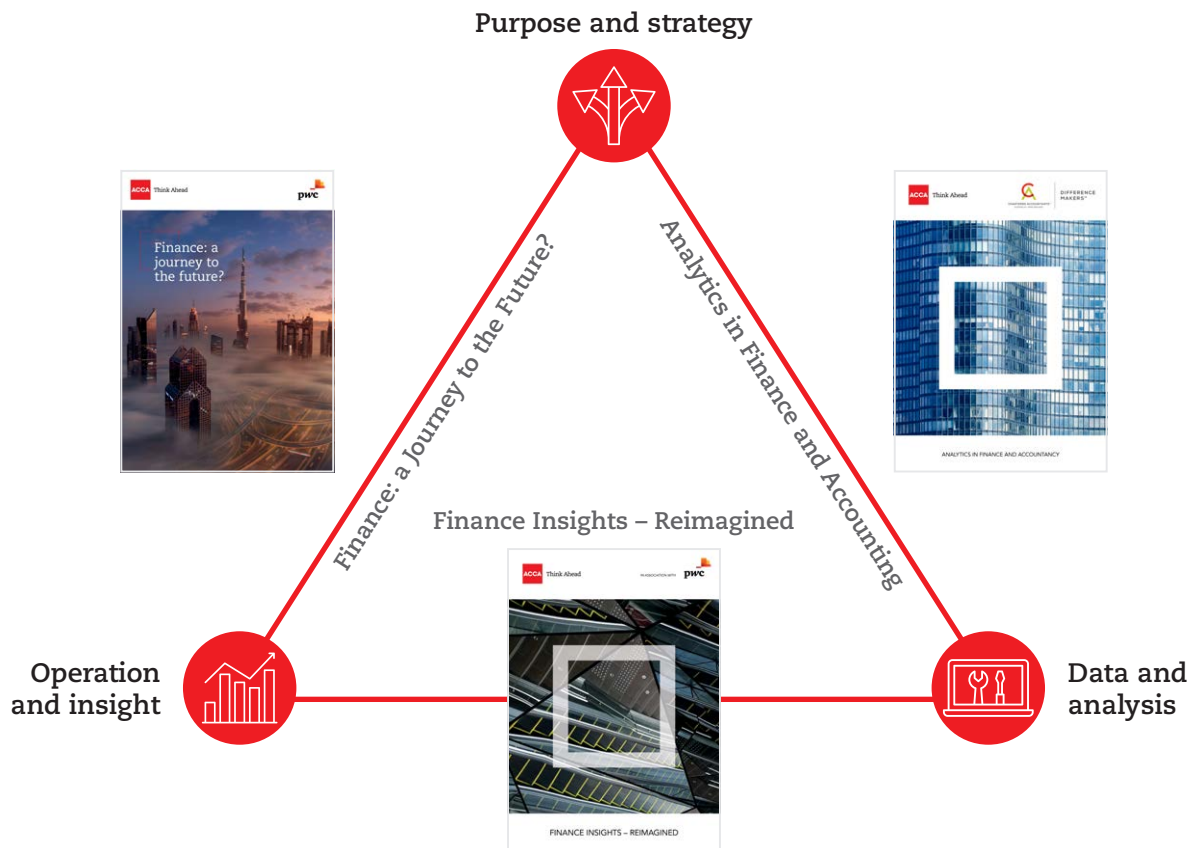


TABLE 1.1: Four types of analytics

TYPE OF ANALYTICS	EXPLANATION
Descriptive analytics	Describing or summarising the existing data using conventional business intelligence tools to understand better what is going on or what has happened.
Diagnostic analytics	Focus on past performance to determine what happened and why. The result of the analysis is often an analytic dashboard.
Predictive analytics	Emphasises the prediction of the possible outcome using statistical models and machine learning techniques.
Prescriptive analytics	This is a type of predictive analytics that is used to recommend one or more courses of action following analysis of the data.

³ Trends in technology are considered as part of ACCA's *The Digital Accountant* report (ACCA 2020b).

FIGURE 1.4: Understanding the finance function of the future

1.4 Evolving skills – a finance team for tomorrow

This discussion has an implication for the skill sets of the finance function. In building a team for tomorrow, the finance function needs to enhance skills in many areas. The appreciation of the importance of data and the use of technology to analyse it is fundamental to many roles (see ACCA 2020b).

ACCA and PwC's report (2019) *Finance – A journey to the Future?* discusses that skill mix and how it needs to evolve to address the future needs of stakeholders. Continuous learning is an important aspect of this, and finance functions need to adapt.

At the core of this is the need to develop a more forthright approach to the human capital in an organisation. As is highlighted in ACCA's report *Leading Inclusion* (ACCA 2021b), there is a strong link between diverse and inclusive teams and the quality of decision-making in an organisation. This is one core aspect of human capital.

For many cited in both these pieces of research, technical and ethical skills remain the core of any accountancy professional. Nonetheless, the ability to interpret data to give meaningful information and to provide insights that generate a strong narrative is important. This is supported by being trusted partners⁴ who are able to influence in a strategic manner and provide operational support.

1.5 A rich future for the finance function

The overall conclusion of the reports discussed above is that there is a rich future for finance functions: one that they can grasp if they are willing to invest in the skills of their team members, in data and technology, and in their relationships with other members of the organisation.

This future is not just one for large organisations, as this model is equally applicable, and indeed even more necessary, for smaller organisations and start-ups. Access to both critical advice developed from strong insights and robust risk-management techniques is essential.

4 ACCA / PwC 2020 details the concept of trust in these circumstances by reference to the Trusted Advisor model of Maister et al. (2002).

A South African roundtable participant likened the evolving nature of the finance function to a race, commenting, 'we are now going into the era of the relay where we need to run the two laps of the track. The first lap is the finance lap, only providing the information and making sure that the accountability and controls are in place. Now the business is saying that we should run one more, to make the actual decision and to meet the business in the distance. That makes a big difference'.

Some finance teams were on that journey at the start of the pandemic, and some were not. Some organisations had already embraced the data and technology revolution, and some were potentially letting it pass them by. In the research for this report, the objective was to gain a snapshot of the impact of the pandemic one year on, and ascertain whether this model, which seemed so promising in maintaining a continued relevance for finance, was being achieved or being side-lined.

What our roundtable participants said

The figure below summarises the words used by the roundtable participants: the larger the word, the more frequently it was used. The roundtable participants represented finance leaders from a wide range of sectors, organisation sizes and locations. They were united in their interest in the response of the finance function to the pandemic.

The pandemic and the human aspects were clearly raised as important areas for those who participated in the sessions (see section 2.3). Technology was another area of interest, with data and ways of working also featuring strongly (see section 2.4). Insights were important too, as the function continues to respond to the challenges before it (as discussed in section 2.6).



A close-up photograph showing two people's hands holding and interacting with smartphones. The person on the left is holding a silver smartphone, while the person on the right is holding a rose gold smartphone and touching the screen. The background is blurred, showing parts of their clothing.

**THERE IS A RICH FUTURE FOR FINANCE
FUNCTIONS: ONE THAT THEY CAN GRASP IF
THEY ARE WILLING TO INVEST IN THE SKILLS
OF THEIR TEAM MEMBERS, IN DATA AND
TECHNOLOGY, AND IN THEIR RELATIONSHIPS
WITH OTHER MEMBERS OF THE ORGANISATION.**

”

2. The pandemic and the finance function

2.1 Establishing the context

To establish a context for the response of finance functions to the pandemic, ACCA and PwC jointly conducted a survey in March 2021. This developed from several initial conclusions developed by Furness and Hildreth (2020) in their article 'COVID-19 Impact Survey Results: Is Finance Emerging Stronger from the Pandemic?', published in November 2020. The ACCA / PwC survey drew responses from 3,086 ACCA members and affiliates, PwC contacts and various CFOs. The responses came from a range of organisations and geographical regions. In addition to the survey, 12 roundtables that involved senior finance leaders who were either ACCA members or PwC contacts were conducted in 10 locations. Several interviews were also conducted.

These activities have enabled us to form a view of how finance functions are operating one year into the pandemic and how resilient they have been during the first year of the pandemic.

2.2 Immediate response

The start of the pandemic caused major shifts for organisations and for the finance functions within them. In a discussion on workload in the first few weeks of remote working, one CFO said 'So, it is about managing my team and whether they have the capability of working on their own. How am I managing the functions and keeping my operations going? At the same time, we need to manage our major vendors to make sure that they have business continuity plans in place. We need to reach out to our major clients to provide comfort that we have our continuity plan in place and reassure people that we are working as normal'.

In the first weeks of the pandemic there were immediate actions to ensure that the function could continue. Many roundtable participants noted how their organisations had sought to provide practical assistance to employees as working from home became the norm for most in the finance teams. As one example, a UK based CFO commented that 'we actually brought forward some of our payments to our suppliers to help them out as well.

Collaboration is really important'. Collaboration and innovation for finance teams have made the 'five years in five months leap' as the relevance of finance becomes stronger. It is now important to recognise that collaboration and innovation must continue to grow if this enhanced relevance is to be maintained and further developed.

A CFO in Ireland commented on the change in the reaction to finance. 'Before you only ever heard if there was a mistake or there was a problem. Suddenly, in 2020, people became very aware of cash flow, keenly aware of payroll and of payments to suppliers. Being able to be in control of this was very valuable as we navigated through [the pandemic]'.

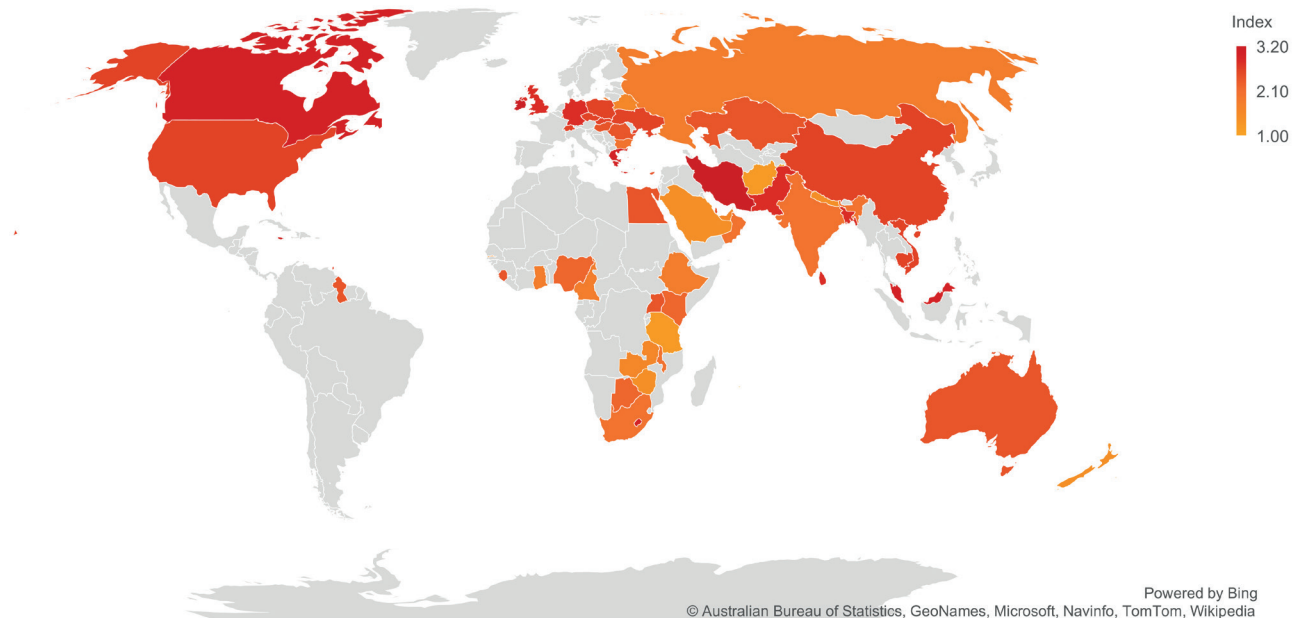
A CFO from India commented that, 'the pandemic has really changed the mindset of the business towards finance'.

A PwC partner from Australia commented that: 'it feels like it has been flat out for most finance functions, more than ever. They have had to manage the pandemic response but on top of that their own teams have been moving to virtual working and navigating how that is best done. So, across the board, everybody is fatigued and finance has had a greater or more heightened role than would previously have been the case'. A senior partner in a recruitment firm specialising in accountancy and finance roles commented, 'most senior finance people that I have been speaking to all year have worked harder than they ever have before, in the last 12 months, which will add huge value to them in terms of experience but has left people jaded a bit'.

2.3 Where are we now?

Any assessment of the impact of the pandemic on finance must start with the context in which the organisations found themselves at the time when the fieldwork for this report was undertaken. The Appendix provides an overview of the status of the pandemic in a set of metrics compiled by Our World in Data (Ritchie et al. 2021) summarised on 12 March 2021, the data upon which the survey was launched.

FIGURE 2.1: Relative status of the pandemic as at 12 March 2021 for those locations with a significant number of survey responses



Note – the relative index has been calculated by ACCA to provide a visual representation of the data compiled by Our World in Data as available on 12 March 2021.

As can be seen from Figure 2.1, by 12 March 2021 the pandemic was having a significant impact in many locations across the world. While vaccination programmes were starting to have a positive impact this was limited to a few locations. The *General Economic Conditions Survey: Quarter 1 2021* (ACCA / IMA 2021), conducted by ACCA and the Institute of Management Accountants shortly before this latest survey, indicated that accountancy and finance professions were starting to see signs of improved confidence, but there remained a substantial reduction in economic performance from pre-pandemic levels. The situation remains very fluid. Second and third waves will inevitably have an economic impact which, again, may not be clear for some time to come.

Most respondents are still considering their long-term response to the pandemic. The first question they were asked was where they see their organisation's response to the pandemic. To facilitate this, the model used was that developed by ACCA in its report *COVID-19 Global Survey: Inside Business – Impacts and Responses* (ACCA 2020c). Hence, respondents were asked which of the following three options most closely described their organisation's current response to the pandemic:

- **act** and respond in a sustainable manner
- **analyse** the different information sources to secure your organisation, or
- **anticipate** the impact on the business and future trends.

FIGURE 2.2: Which of these phases most closely describes the current situation in your organisation, in response to the pandemic?

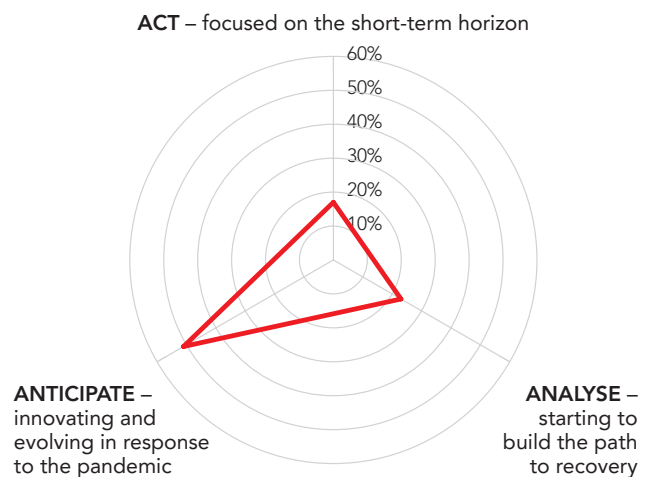
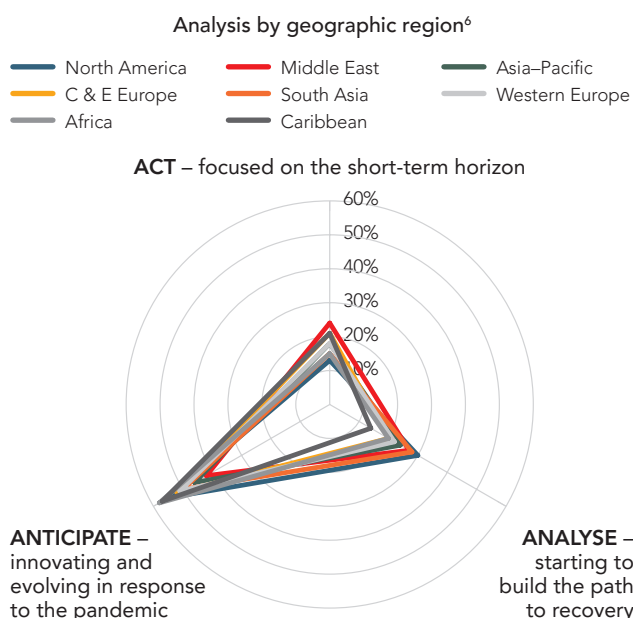


Figure 2.2 shows that while just over half (51%) of respondents to the survey said that they were in the anticipate stage and moving forwards from the pandemic, nearly half reckoned that they were not yet in that position. Indeed, 17% said that they were still in the 'act' phase, which could be characterised as a period of initial responses and, often, the use of crisis management teams to provide leadership, with a requirement for tactical responses.

While there are some geographical variations in this pattern (as shown in Figure 2.3), the overall pattern, where over half the respondents were in a more forward-looking stage of response, remained true. Only in the Middle East region (42%) and South Asia (46%) was this not the case.⁵ For the Middle East this is perhaps somewhat surprising, given the status of the pandemic (as shown in Figure 2.1) and the relative progress of the vaccination programme that had been made in the United Arab Emirates at this time.

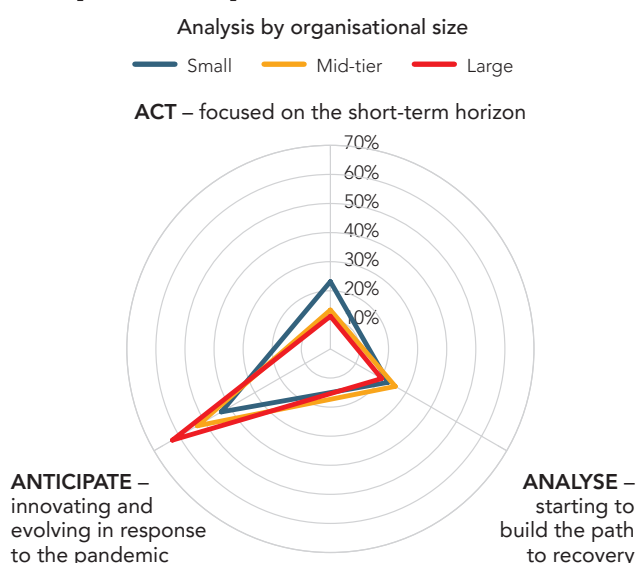
FIGURE 2.3: Which of these phases most closely describes the current situation in your organisation, in response to the pandemic?



An analysis by organisational size (Figure 2.4) shows that smaller entities⁷ are more likely to be in the initial response phase. This is not surprising, as many have struggled to cope with the changing situation and have fewer resources to enable them to adapt to the changing market situation. On the other hand, smaller entities have the advantage that they can flex their business model with greater ease than larger firms. Many governments have provided resources and support for smaller businesses at this time. For many economies, smaller businesses represent a fundamental growth engine, so their relatively poor performance is of concern.

Mid-tier organisations that are often fundamental in supply chains have been challenged by a lack of flexibility and a relatively low potential access to technology and data. Many have found working capital squeezed.

FIGURE 2.4: Which of these phases most closely describes the current situation in your organisation, in response to the pandemic?



The final analysis of this survey question (Figure 2.5) is by sector, based on the respondents' identification of their own sector. Here we see the services sector, which is widely recognised to have been significantly more impaired, recording the greatest number of responses in both the 'act' and 'analyse' phases. From the responses, the not-for-profit and financial service sector organisations appeared the most forward-looking, at the time of the survey.

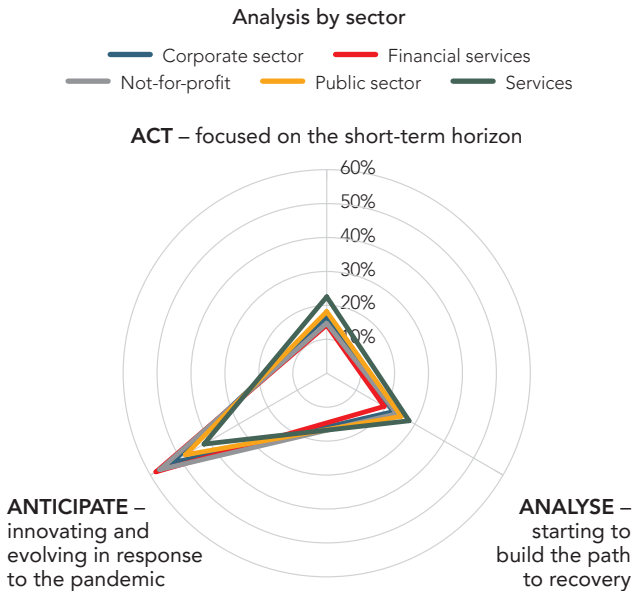
FROM THE RESPONSES, THE NOT-FOR-PROFIT AND FINANCIAL SERVICE SECTOR ORGANISATIONS APPEARED THE MOST FORWARD-LOOKING, AT THE TIME OF THE SURVEY.

⁵ More detailed data for several significant locations, giving the number of survey responses to this and several other key questions is available in a series of infographics that accompany this report. These can be downloaded from the same site where you accessed this report.

⁶ In the geographic analyses in this report, the responses for Central and South America are omitted as there were insufficient responses to be statistically significant.

⁷ For the purposes of the analysis of the survey response data, those organisations where the respondent indicated that there were 249 or fewer employees are categorised as 'small', those between 250 and 999 employees are categorised as 'mid-tier' and over that level as 'large'.

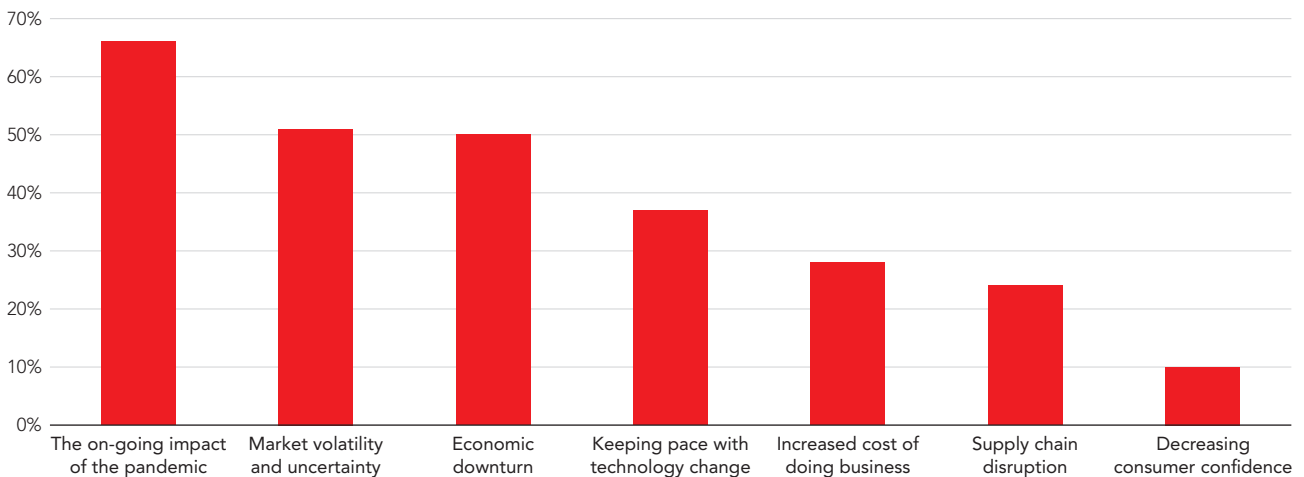
FIGURE 2.5: Which of these phases most closely describes the current situation in your organisation, in response to the pandemic?



The second survey question focused upon understanding the context of the macro and micro economic factors that respondents were currently experiencing (Figure 2.6). The level of uncertainty about the pandemic itself was the most significant factor (66%), with just over half (51%) selecting market volatility and uncertainty as significant issues. A potential economic downturn was seen as an issue by half the respondents (50%). Technology challenges, which before the pandemic had been an issue for many, rated significantly less, as did cost pressures. The sentiment that global supply chains had been disrupted less than perhaps was initially anticipated was less of a factor than might have been expected.

An analysis of this question by organisational size showed broadly the same pattern, with an economic downturn being rated slightly lower as an issue by the respondents from larger organisations. A sector analysis (Figure 2.7) shows several variations, with the continuing impact of the pandemic being rated as significantly greater by the respondents in the not-for-profit and public sectors, while market volatility was significantly less of an issue for

FIGURE 2.6: Considering macro and micro economic factors, select from the list below up to three of these issues that you consider are most significant for your organisation now



THE LEVEL OF UNCERTAINTY ABOUT THE PANDEMIC ITSELF WAS THE MOST SIGNIFICANT FACTOR (66%), WITH JUST OVER HALF (51%) SELECTING MARKET VOLATILITY AND UNCERTAINTY AS SIGNIFICANT ISSUES.

them. This reflects the nature of these organisations but also illustrates how finance teams face different issues in different sectors. There is no one common roadmap for success and there need to be individual variations according to sector and organisational size.

The final question in this initial set asked the respondents to consider what the most significant issues were, if any, for their organisations at present. A recurring theme in the survey responses and across the roundtable

discussions was the emerging mental health concerns of the workforce. The survey respondents overall (Figure 2.8) indicated that 48% of them believed that this was a significant issue. As the pandemic has continued, with many organisations continuing to work either fully or partially remotely, the stress of the pandemic itself, and the increased demands on the finance function (as explored in section 2.4), the sense of fatigue was mentioned as an issue. Clearly, this is a concern for many workplaces.

FIGURE 2.7: Considering macro and micro economic factors, select from the list below up to three of these issues that you consider are most significant for your organisation now

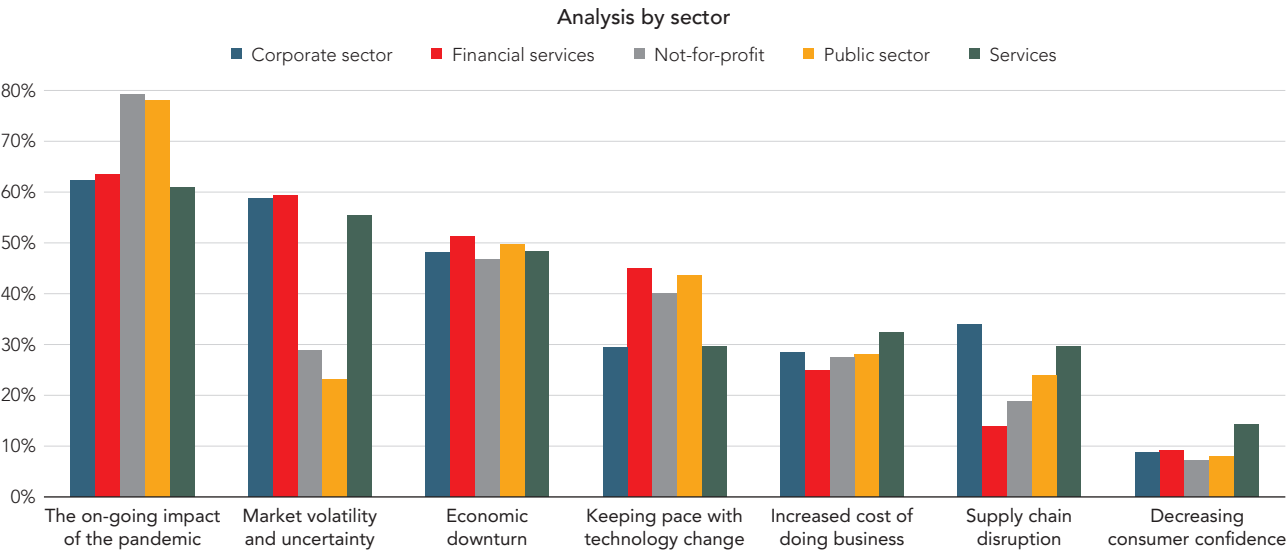
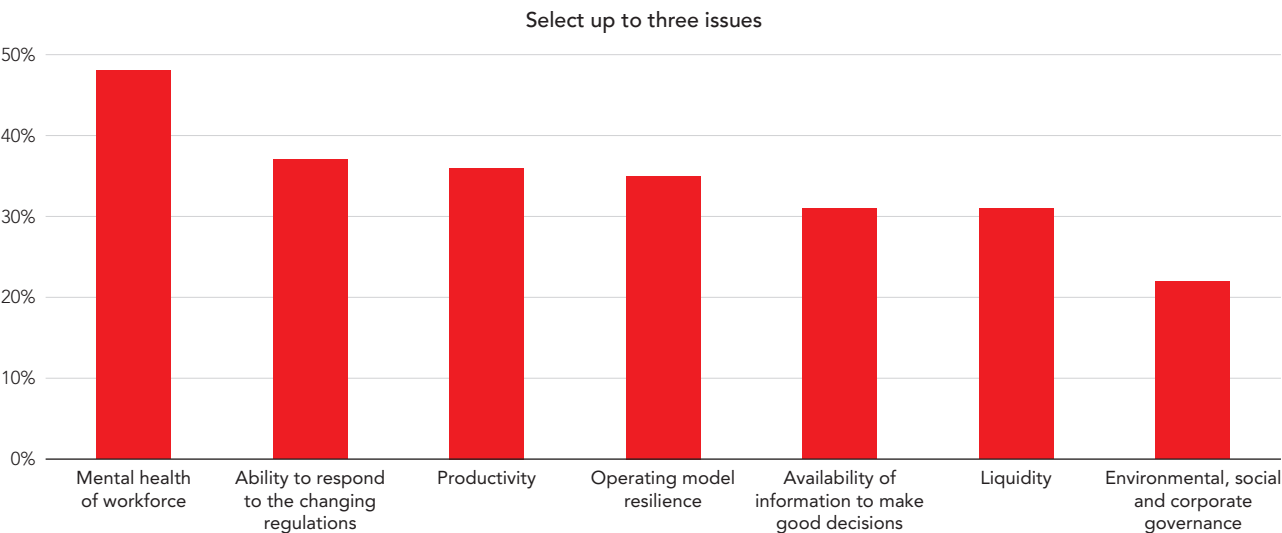


FIGURE 2.8: Which issues, if any, are currently most significant for your organisation now?





INSIGHT: Mental health, fatigue and the workplace



In a joint study based on data before the pandemic the World Health Organisation and the International Labour Organisation estimated that ‘Long working hours led to 745 000 deaths from stroke and ischemic heart disease in 2016, a 29 per cent increase since 2000’ (Pega et al 2021). The impact of the pandemic on the workforce has been to increase the amount of pressure felt by employees. A sense of fatigue as developed as the duration has continued to increase.

Many organisations have embraced mental health and emotional fitness programmes amongst their managers to help employees to sustain themselves during this time. A report by Haley Yamane Melhart (Melhart 2021) suggested that in the US middle managers are resigning 11% faster than other employee groups as they feel the stress of leading in this situation.

Josh Bersin in his research in this area suggests an approach of Human Centred Leadership (Bersin 2021). He explains this by saying, ‘not only do leaders need to be curious, creative, and execution-oriented, they also now need to be empathetic, inclusive, and highly flexible. It’s as if we are learning new principles of leadership, and these principles are impacting every company, industry and geography.’ The role of the leader in maintaining the mental health of their workforce has become paramount if organisations are to succeed. Leaders need to appreciate what makes people thrive, what drives creativity and problem-solving in the company, and how they can support people during times of change, stress, or disruption.

Bersin continues by suggesting that we need to ensure that we manage the stress of our employees. There is a potential, he contends, that some employees may leave the pandemic with a form of post-traumatic stress disorder. In managing this potential, leaders need to:

- 1. Prevent trauma** – by focusing on safety and protection
- 2. Create a positive attitude** – by facilitating a positive view of the future
- 3. Creating a sense of joy** – mobilising by having fun.

Sharon Critchlow, an ACCA Council member, in a blog in 2020 considered this last aspect. She commented that ‘positive emotions – like joy, pride and gratitude – don’t just feel good in the moment – they also affect our long-term wellbeing. Research by L. Fredrickson shows that experiencing positive emotions in a 3-to-1 ratio to negative ones leads to a tipping point beyond which, we naturally become more resilient to adversity and better able to achieve things. Interestingly, the evidence linking an upbeat outlook to increased longevity is

actually stronger than the evidence linking obesity to reduced longevity.’ (Critchlow 2020).

Any return to a previous set of workplace norms potentially develops its own stresses. Whilst many talk of partial returns to the office environment this needs to be planned with caution to ensure that the individuals continue to feel supported. Many teams will feel dislocated and will need to emotionally reform to become fully functional. Many individuals managed with the sudden need to work from home caused by extenuating circumstances. In contrast, a return to the workplace – either full or partial – will not have the same impetus. Individuals have adapted to different ways of working; potentially have different career expectations. Addressing these challenges without heightening the sense of stress and fatigue is a challenge.

It is important that leaders establish clarity on the potential return to the workplace scenario. A McKinsey study (Alexander et al 2021) commented that ‘organizations with the biggest productivity increases during the pandemic have supported and encouraged “small moments of engagement” among their employees, moments in which coaching, mentorship, idea sharing, and coworking take place. These organizations are preparing for hybrid working by training managers for remote leadership, by reimagining processes, and by rethinking how to help employees thrive in their roles.’ That said, their study noted that 68% of their respondents did not have a plan in place for the return to work. Organisations that have ensured micro-connectivity amongst team members have fared better in terms of sustaining productivity gains.

The mental health of the workforce may well be one of the lasting impacts of the pandemic. One that will play out in the course of the next few years and that organisations need to start planning for now.



Clive Webb, Head of Business Management, ACCA

Initial concerns over productivity have been largely allayed. The roundtable participants generally reckoned that productivity had not been as significant an issue as had initially been expected. Only 36% of respondents recorded this as an issue, with only slightly fewer highlighting operating model resilience as an issue. The impression that, overall, organisations have coped with the situation in a better way than might first have been feared was another theme. Roundtable participants have also provided examples of organisations that considered that their productivity had increased. Clearly, there have been challenges in areas such as inducting new staff into an organisation when everyone is essentially working from home.⁸ Liquidity, which was initially a concern for many (as commented in ACCA's research *COVID-19 Global Survey: Inside Business – Impacts and Responses* (ACCA 2020c)) seems to have become less significant.

The question of 'building back better', with a focus on environmental, social and governance (ESG) issues, was seen as the least important of the top six issues. As is discussed in section 3.5, the failure to appreciate the impact of climate change while managing the pandemic may have marginalised a significant issue, with respondents concerned that time to address it in a meaningful way is ever shortening.

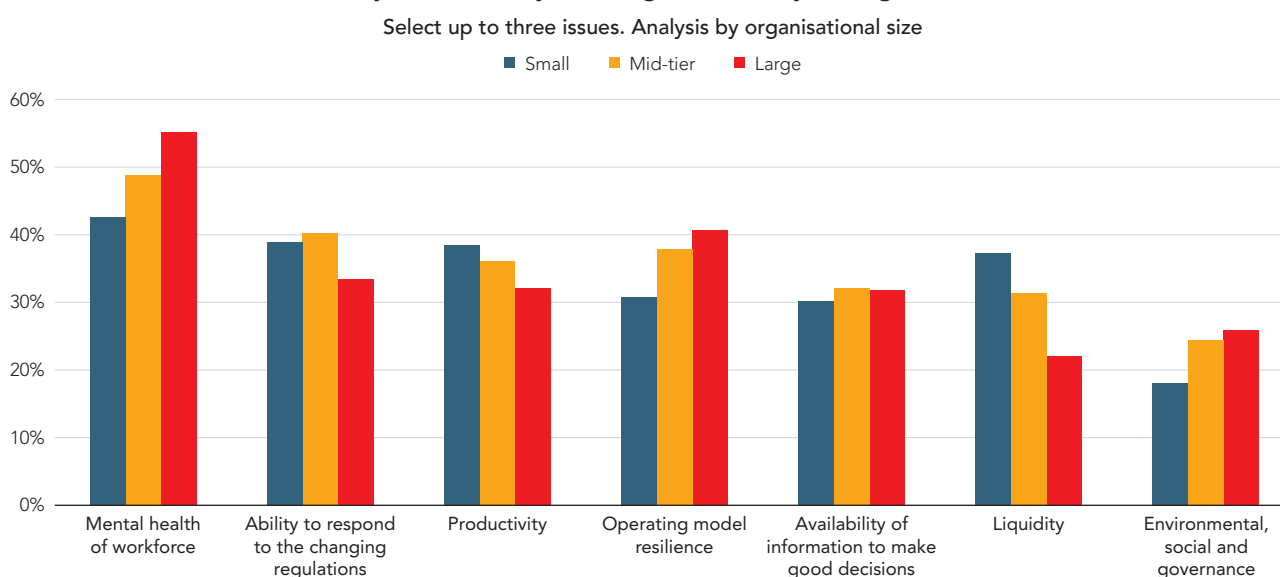
An analysis of this by organisational size (Figure 2.9) shows some variation with the mental health of those in larger organisations being seen as more of an issue than those in smaller ones, in comparison to liquidity. These differences can be expected in terms of the relative nature of the challenges that organisations have faced.

Similarly, the pattern of responses by sector is consistent with the responses to previous survey questions (Figure 2.10).

It should be observed that both financial services and the public sector lead the field in ESG. Both are less affected by remote working while the public sector does not have the same market challenges that the other sectors face.

Finally, an analysis by region shows liquidity to be more significant in the Middle East and the Caribbean (Figure 2.11), while mental health is seen as a greater issue in Western Europe and North America. Productivity is an issue in Africa and the Caribbean. Those who participated in the roundtables conducted in Africa highlighted issues with internet connectivity, which is vital for remote working, as being significant. Some of their organisations had undertaken specific actions to try to help their employees address issues of internet access and ensure that they could work effectively remotely.

FIGURE 2.9: Which issues, if any, are currently most significant for your organisation now?



⁸ ACCA's article 'How to Get Remote Onboarding Right' provides guidance in this area (ACCA 2020f).

Many of the issues highlighted in these questions are probably known challenges. If we as a society are to overcome some of the fundamental challenges we must start with the well-being of employees and the levelling up of access to technology, which can be an issue in developed countries, to some extent, as well as in developing countries.

Our vision of the finance function of the future relies upon having access to data and Cloud-based applications to enable us to derive insights. While some of the actions required are at a policy level and need to be recognised as lessons learnt from the pandemic, there are still other actions that accountancy and finance professionals should take.

FIGURE 2.10: Which issues, if any, are currently most significant for your organisation now?

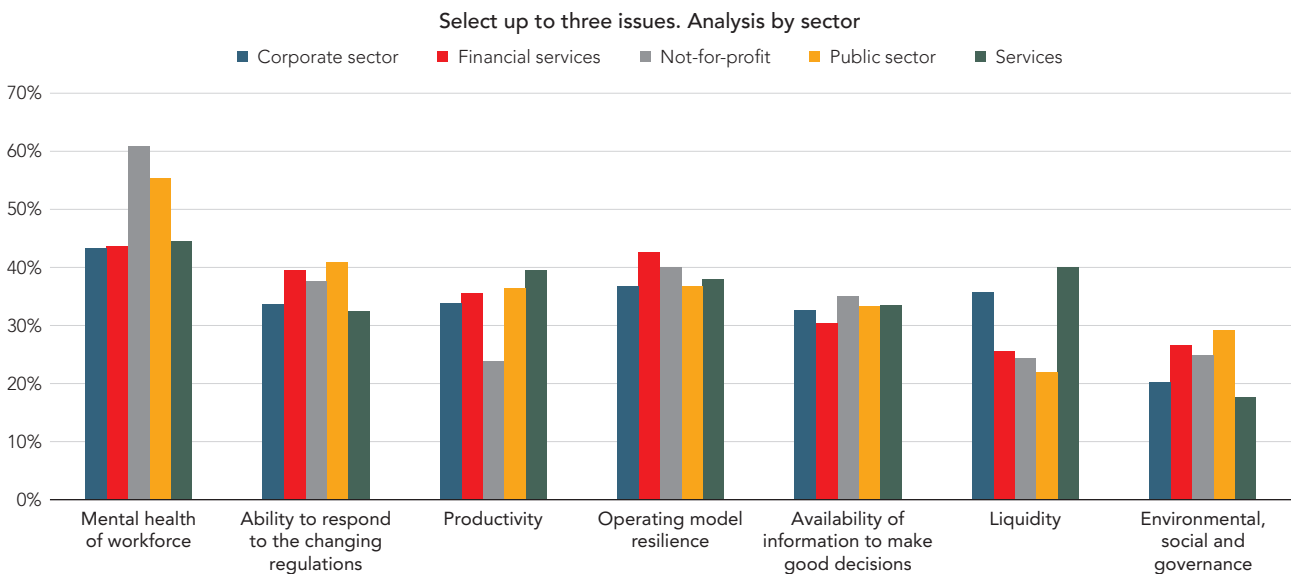
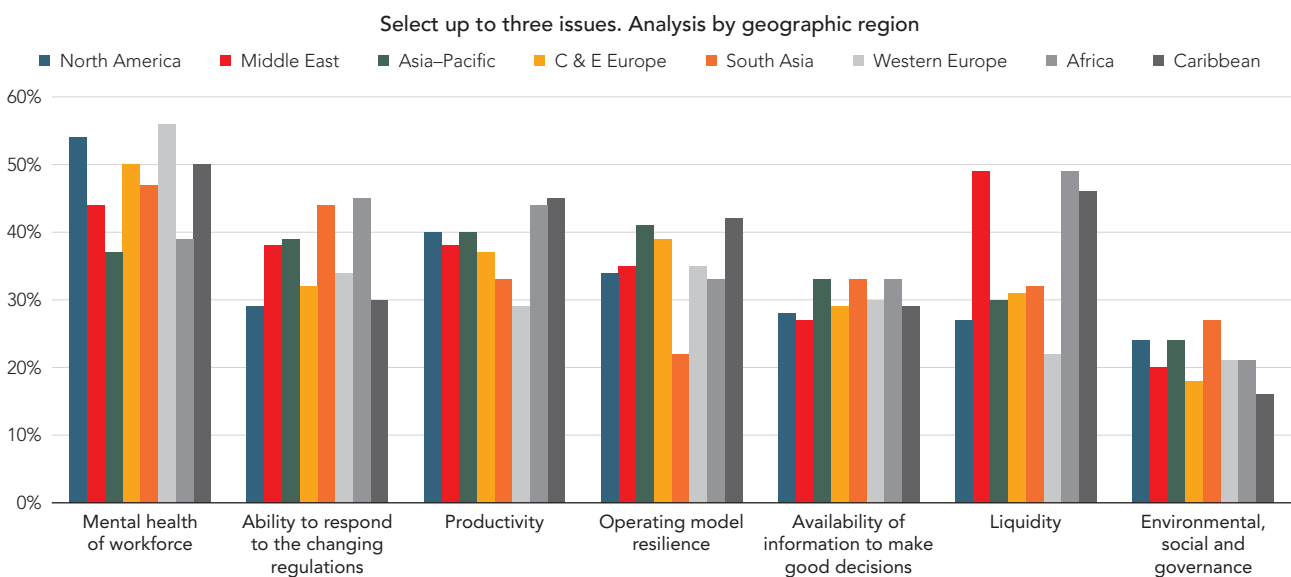


FIGURE 2.11: Which issues, if any, are currently most significant for your organisation now?



So, what should I do?

- ✓ Identify how to ensure that the efforts and contributions of the finance team are recognised in any 'lessons learnt' exercises.
- ✓ Conduct specific finance-related assessments of lessons learnt and benefits realised.
- ✓ In the immediate term, well-being of employees remains a significant issue. Organisations need to develop robust well-being programmes for staff.
- ✓ Effective use of technology depends on equal access for all. Develop plans to assist employees, either through the provision of internet access to facilitate better working from home or by providing better equipment.
- ✓ Support staff, who may well be working remotely for a greater proportion of their working hours, with better home office facilities.
- ✓ Consider the extended use of mental health and well-being programmes; recognising that this issue is not transitory but part of the longer-term impact of the pandemic.

2.4 What changed and what did not?

The second set of questions in the survey looked at what the effects of the pandemic had been for finance functions. It started by asking whether the reputation for finance had been enhanced, or otherwise, by the pandemic. Having an enhanced reputation can constitute a fundamental building block for further development of an effective function.

A vice-president of finance for a consumer goods company in mainland China commented, 'The epidemic was an incident that gave us a very good opportunity to test our cost elasticity. We needed to adjust our vision so as to spot a "black swan". There are two issues to consider regarding the incident. One is the range of cost elasticity, and the other is how to establish a long-term view on the larger market and the world to decide what should be prepared for a potential "black swan".'

'The fight against COVID-19 is a protracted battle. It will mislead our internal thinking about traditional investment. Our investment was originally made in line with the economic cycle, but now there will be a large interim rebound due to the incident. We, as financial practitioners, need to adjust our psychology and mindset'.

'THE EPIDEMIC WAS AN INCIDENT THAT GAVE US A VERY GOOD OPPORTUNITY TO TEST OUR COST ELASTICITY. WE NEEDED TO ADJUST OUR VISION SO AS TO SPOT A "BLACK SWAN"'. "



An opportunity missed?

Among our survey respondents, 34% (Figure 2.12) considered that the pandemic had represented an opportunity to develop the influence of finance and they had capitalised on this. A CFO from South East Asia commented that in her view the pandemic had ‘totally pushed finance to the forefront’ in her organisation. Another CFO from the same region, whose organisation has geographically diverse subsidiaries, commented that: ‘one of the immediate steps was crisis management. This settled around cash preservation and preventing failure. It changed a lot of the balance in the organisation. There were a lot of risks that the organisation [would go] under, or one of the subsidiaries fails and you have millions of dollars in terms of impairments, and you could potentially go into a situation where you break covenants’.

But if 34% saw opportunities, this also implies that about two-thirds of the respondents believed that the finance function had not been able to take advantage of these. Nonetheless, for many roundtable participants, there was a sense that finance teams had become more relevant and involved in decision-making to a greater extent.

The challenge for finance teams is to ensure that they capitalise on the benefits and increased reputation that may well have developed. Sometimes, finance teams can be ‘their own worst enemy’ when assessing the value that they add. Research conducted by ACCA and IMA in June 2020, during the pandemic, indicated that CFOs were generally more pessimistic than their chief executive officer (CEO) counterparts when considering the value that they had added to the organisation (ACCA / IMA 2020).

A CFO commented that: ‘the finance organisation needs to realise that we are there as a safeguard for the stakeholder interests. These interests need to be protected and for a long time the finance team did not

have a voice at the table. I think that this is now something that we are more and more being asked to contribute. I find this refreshing and positive’.

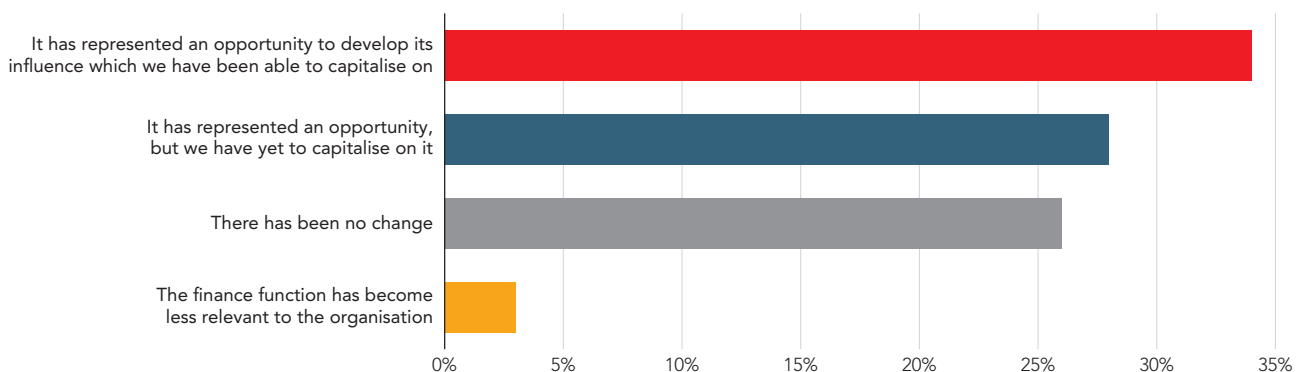
Another observation in the report (ACCA / IMA 2020) was the importance of a close relationship between the CFO and CEO and how this is critical for organisational success. This relationship was characterised by the phrase ‘critical friend’. One roundtable participant reflected on the impact of the pandemic on this by commenting, ‘those are two relationships that ought to move very closely together so that, as a CFO, you look through the numbers and you are able to give strategic advice and direction to the CEO’.

A CFO of a bank based in East Africa explained that:

‘From the CEO perspective there was a lot more focus on finance and reliance on us to bring the numbers. Finance became the single source of everything regarding numbers. I found myself being uplifted, being part of meetings, which I wasn’t in the past’.

A CFO from mainland China reflected, ‘I wonder why a CEO is willing to surrender this function to the CFO? Is the CEO forced to do so? Or the CFO successfully completes the mission without the assistance of the CEO anymore, leaving the board of directors to re-construct the future boundaries and framework of a digital company. What responsibilities does the CFO bear in this process? Some say that CFOs have become COOs [chief operating officers], or CXOs [chief experience officers]. If there are conflicting opinions in this point, it involves disputes of interest, preference, or choice. We need to define this clearly within the future framework of the organisation, so that the CFO will be motivated. The motivation is not about endowing a mission or a drive. It is about removing all obstacles’.

FIGURE 2.12: What is the impact of the changing nature of the work that finance functions have been asked to undertake during the pandemic?



An analysis of the responses by sector (Figure 2.13) shows variations. In all sectors, except services, the claim that finance had been able to capitalise on the impact of the pandemic in improving the reputation of the finance function had the highest level of agreement. Even so, in no case did significantly more than one-third of respondents agree with this. In the not-for-profit sector, 31% stated that the reputation of finance had not changed and the similar percentage for the services sector perhaps again underlines the greater challenges for this sector.

Finance functions in larger organisations had clearly experienced a more positive impact from the different work they had taken on and had been able to capitalise on it better than those in smaller ones (Figure 2.14), with 40% indicating this.

There is an emerging picture from the survey results and roundtable discussions that finance functions that had already invested in technologies such as the digital core concept and had resilience through scale were positioned

FIGURE 2.13: What is the impact of the changing nature of the work that finance functions have been asked to undertake during the pandemic?

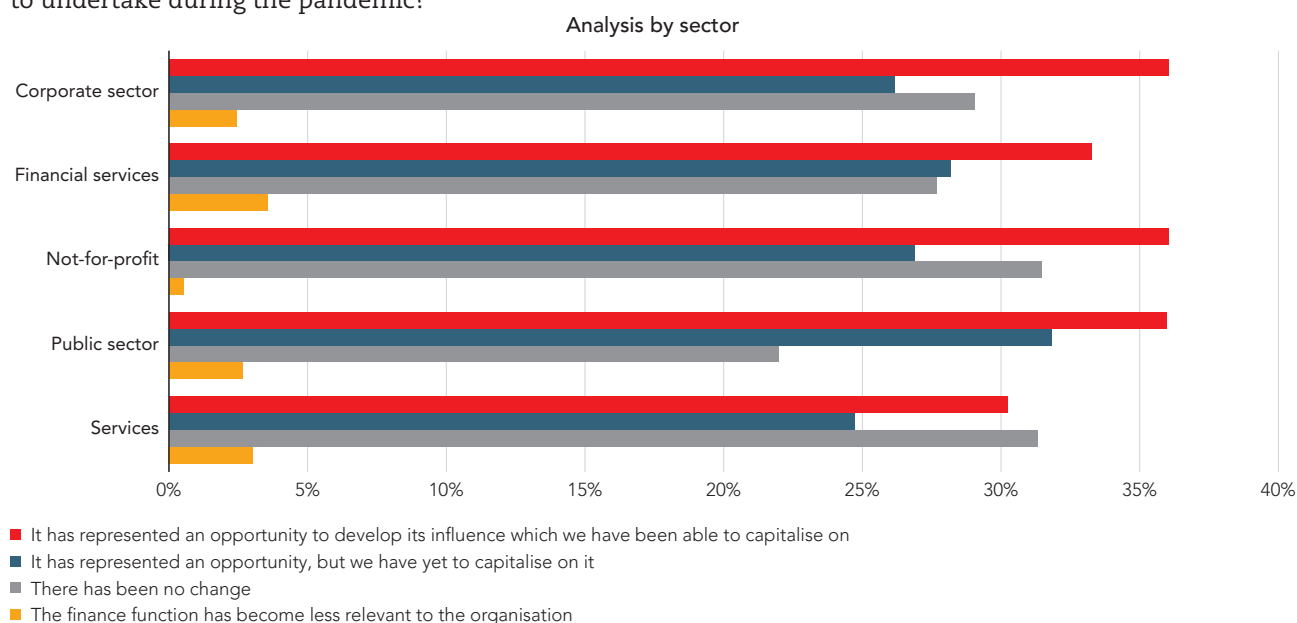
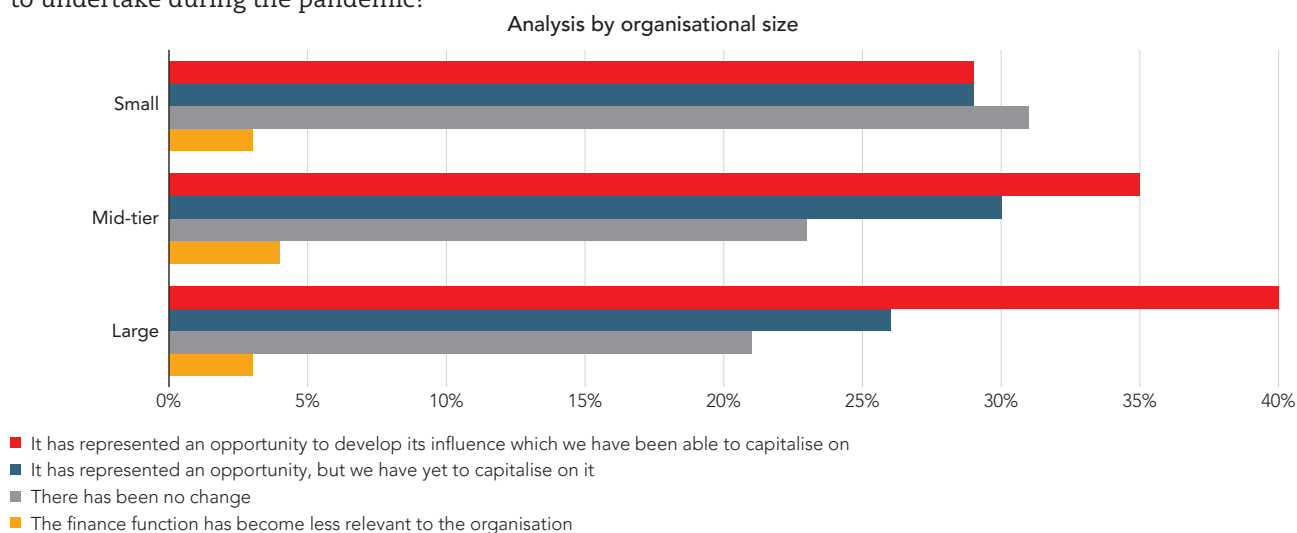


FIGURE 2.14: What is the impact of the changing nature of the work that finance functions have been asked to undertake during the pandemic?



to hugely increase their influence in the organisation. Their stakeholders were ready to give them a position of influence if they were willing to take it. For some, that will mean short-term influence (for example, until the cashflow challenges recede) while others are growing into some of the space formerly occupied by CFOs / chief information officers (CIOs) and embracing a comprehensive data and technology architecture that enables them to derive better-informed insights and support strategic decision-making.

Balance of effort expended

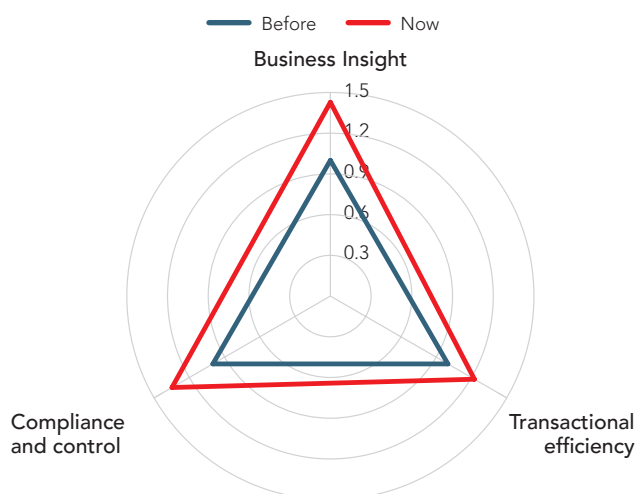
In section 1.2 it was noted that the balance of the work being undertaken by the finance function is changing. In Figure 1.1, the concept of the three domains of finance was introduced. The survey respondents were asked how they perceived that each of these elements of their function had changed because of the pandemic. As can be seen from Figure 2.15, the overall impression is that the work of finance has increased in all areas. It is doing more of everything.

There has been a slightly smaller increase in transactional efficiency than in the other two components. It might have been expected that there would have been a greater increase for insight than for the other two elements. But many of the roundtable respondents commented that in practice governments had imposed an increased regulatory burden because of financial measures implemented to support organisations during the pandemic. One CFO from Canada explained that:

‘There was so much extra work this year. We had financial institutions talking about loan deferrals, you had to handle grant claims, government programmes. We had to figure out how to account for all of these, how to track them and how to report on them to the regulators who had “101 questions”. The reality was that people were working 24/7. You asked for something and they would respond. The reality is that everybody is fatigued’.

A PwC partner’s view, based on experience of organisations in the pandemic, was that ‘it had really pushed people into really focusing on where they add value. The finance goal had become to be a better business partner’. A CFO responded to this by commenting that ‘you need to have a good partner in a crisis’.

FIGURE 2.15: Considering the balance of time spent by the member(s) of the finance function, how have these three areas changed as a result of the pandemic?



Note – the graph is derived from a composite of the responses and is an index. The size of the volume of workload changes cannot be inferred from the graph.

A participant in the Australia roundtable commented that the pandemic had:

‘Brought to light the value proposition that finance can deliver...in providing insights from data. The request came in various forms, yet we were the team that was relied upon to bring it all together and provide scenario plans and directions for the group. At the end of year, we had recognition from the CFO and the CEO, as well’.

A CFO commented that there ‘has been a lot of additional work for everybody at the same time. It is also clear that there are not more resources. People want to know where the organisation is headed and realise that the finance organisation is actually the only team that can give transparent insight on where we are headed and what the risks are. What do we do? There are no more resources so the only way to do this is through simplification and automation; through releasing resources from non-value-added, repetitive work. The risk is that we overwhelm individuals. Do we have sufficient training?’

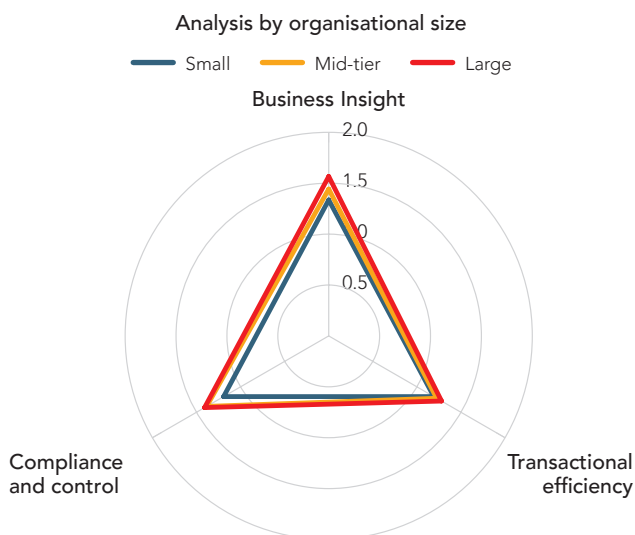
A CFO working for a multinational in East Africa commented that ‘we are [undertaking] a lot more business partnering than transactional processing. This has meant some upskilling’.

One CFO from the UK added a sense of caution:

'I get most excited by business partnering and being able to support the business and demonstrate an understanding of what drives the business, its performance and efficiencies. Being able to be involved in those discussions and drive those discussions helped promote finance to where I would like it to be, but I do see it as a challenge as we move forward because it is harder to get invited to meetings that you do not know are happening, when you work remotely'.

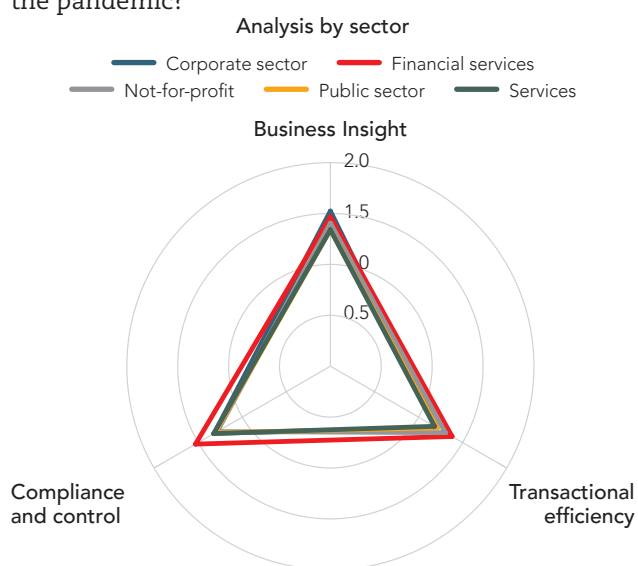
The change was marked when considering different sizes of organisation, as shown in Figure 2.16. Both large and mid-tier businesses had a similar increase in compliance and control and nearly the same increase in business insight, whereas these were not quite matched for smaller businesses.

FIGURE 2.16: Considering the balance of time spent by the member(s) of the finance function, how have these three areas changed as a result of the pandemic?



The sector analysis of responses (Figure 2.17) shows that since the pandemic began a larger amount of time is spent on compliance and control than previously or than in the other dimensions. All sectors showed an increase in all elements of activity.

FIGURE 2.17: Considering the balance of time spent by the member(s) of the finance function, how have these three areas changed as a result of the pandemic?



SINCE THE PANDEMIC BEGAN A LARGER AMOUNT OF TIME IS SPENT ON COMPLIANCE AND CONTROL THAN PREVIOUSLY OR THAN IN THE OTHER DIMENSIONS. ALL SECTORS SHOWED AN INCREASE IN ALL ELEMENTS OF ACTIVITY.

Lasting changes

The question of which of the changes that the finance function has experienced during the pandemic are likely to become permanent (Figure 2.18) highlighted, somewhat unsurprisingly, that remote working was likely to be the most fundamental shift. Many roundtable participants cited this as the greatest change. The fact that many finance functions had completed at least one year-end successfully with remote working was testament to its potential; although one participant commented that the fatigue that they were seeing in their organisation meant that they were hesitant about completing the forthcoming second year-end, which was rapidly approaching. Many also commented that organisational leaders who have been hesitant about the possibilities

of remote working because of either a lack of trust in their employees or fears of a loss of productivity had found that these concerns had no basis.

Technology used

Technology was the second most permanently affected factor, with 66% of respondents highlighting this. The question of the effectiveness of the finance function's technology was explored in further question (Figure 2.19). Overall, most respondents were satisfied with their technology suite and how it had supported the organisation in the pandemic. Only 13% of respondents claimed that their core accounting systems had not responded well to the circumstances, while 17% said that they did not have access to the data that they needed.

FIGURE 2.18: Which, if any, of these aspects of the finance function do you consider will be permanently changed by the lessons learnt from operating during the time of the pandemic?

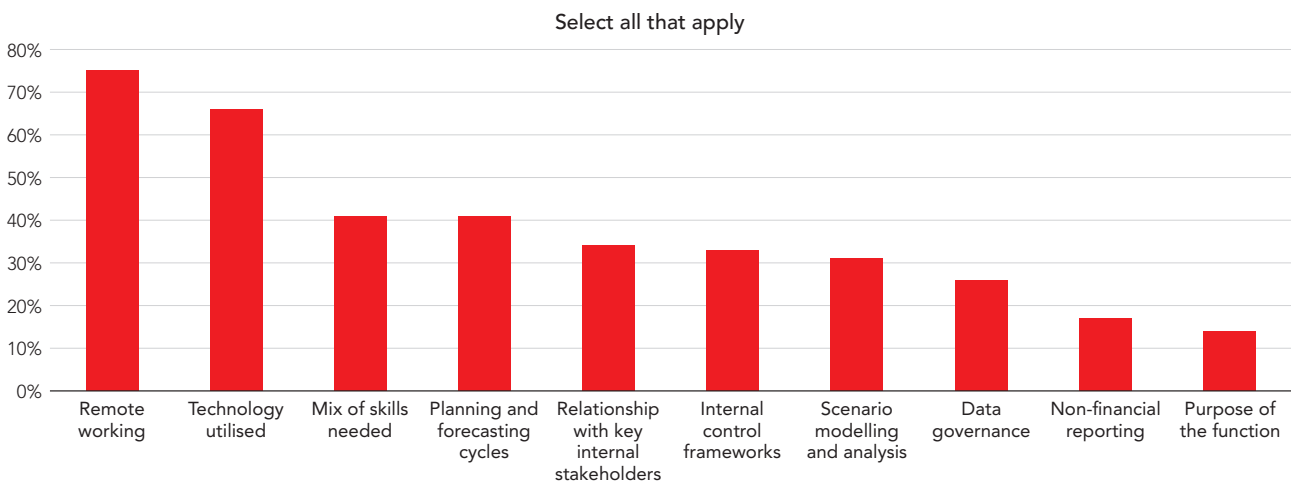


FIGURE 2.19: How effective has your organisation's technology been in supporting remote working by the finance function?



A CFO working for a multinational in East Africa commented that they had started their technological transformation journey earlier than others, so addressing the challenges of the pandemic ‘was a bit of an easier fix for us’. Another CFO, who participated in the Hong Kong SAR of China roundtable, commented that ‘because we have been using Web-based accounting systems we only had a little bit of disruption’.

A CFO from Australia had a similar theme. He commented that his organisation was:

‘One of those companies that had been on that journey of digitalising everything in finance. I think that COVID was the ultimate test of that. What we found was that it tested every part of the finance operation and I think that we came through it pretty well’.

Another Australian roundtable participant commented that the organisations that: ‘are booming are where the finance function could have been overwhelmed by forecasting new revenue and future demand. Whereas [for] those that have been impacted the other way it is keeping the lights on and reducing costs. The question is, “how good is your data?” “How quickly can you make good decisions based on that?” Finance functions that are operating under legacy structures that are not digitalised and do not have good data and [have] a lot of manual processes are the ones that are feeling the pain. When we come out of this, we need to see a switch. How do we keep the finance function top of mind?’

We will now consider each of these areas in a little more detail.

Remote access

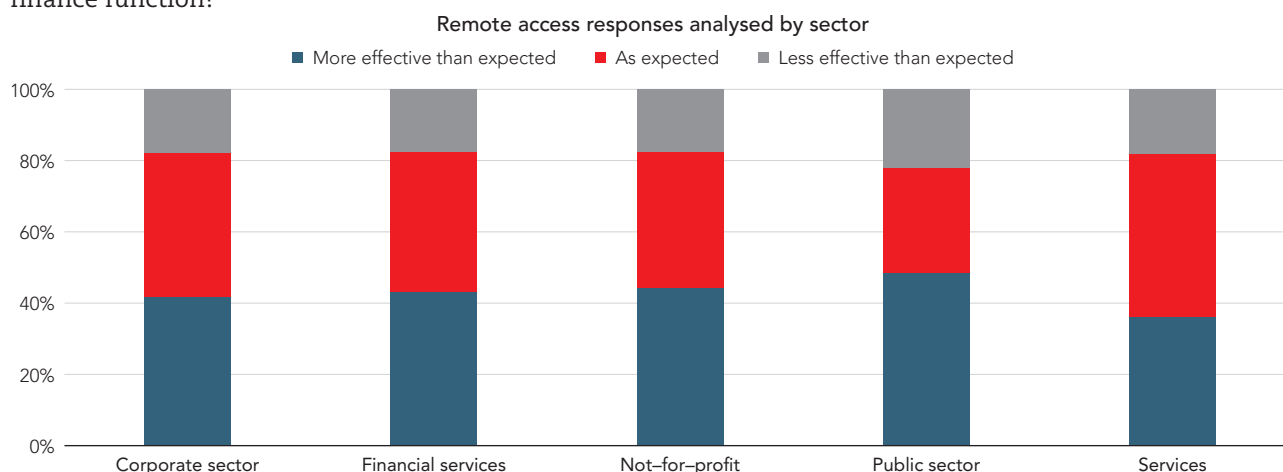
Remote access to data and relevant applications has been essential for finance functions in the pandemic. The survey indicates that 80% of organisations had remote access technology that held up as expected or better than expected. There is a clear need to improve this infrastructure but if one contemplates what would have happened if the pandemic had occurred 10 years ago it can be hypothesised that either the economic impact would have been far worse, or that many more would have had to work on-premises with a consequent impact on infection rates. Many countries have used lockdowns as the initial contagion prevention tactic. The use of Cloud-based technologies and applications has proved itself but there are different levels of optimisation across organisations.

As commented previously, many roundtable participants cited the efforts that their organisations had made to assist their staff in working from home. Some of these programmes provided funding to acquire necessary equipment, but others were broader than this. Some commented on the need to provide resilient internet access to assist their staff. Figure 2.20 gives a sector-level view of the responses to this element of the question.

Access to data

Roundtable participants generally commented that access to data and systems was better than expected. Many cited the preparedness that business resumption plans had given them. One banking respondent cited the lessons learnt from a previous winter storm that had shown the bank that it needed to ensure that effective remote access was in place. Some commented that there were a few initial problems, such as sufficient bandwidth in the organisation to allow remote connections, but for most these were quickly resolved.

FIGURE 2.20: How effective has your organisation’s technology been in supporting remote working by the finance function?



A PwC partner who contributed to one roundtable commented that organisations were seeing the need for, 'better data. Everybody is opening up and saying that I need a data zoo or warehouse', implying that organisations had started to realise how important access to data has become.

Cyber security

Cyber security has been seen by many organisations as a key vulnerability because of the pandemic. Changes in the ways of working have changed the profile of the vulnerabilities that organisations have. Threat actors have changed their activities to mirror these changes, but the overall level of attacks has not changed significantly. The survey respondents (Figure 2.21) seemed satisfied with the overall level of cyber security protection for the finance functions in their organisations.

Core accounting systems

Key to the success of the finance function are its accounting systems, especially those that enable efficient transaction processing. Figure 2.22 and Figure 2.23 show that the respondents' impression was that the core accounting systems had supported the organisation generally as expected. This assertion was made by respondents from organisations of different sizes, though there were some slight variations by sector, with 17% of public sector respondents seeing their systems as less effective than expected whereas 12% in the financial sector held this view.

Only a few roundtable participants had retained some office-based staff out of necessity. For several roundtable participants this need centred on the accounts-payable

process. This process drew particular attention in locations where finance teams were not able to use either electronic invoice registration or electronic funds transfer as a method of payment. Overall, accounts payable seemed to present the greatest challenges. A CFO from Nigeria commented that 'accounts payable people had to submit invoices and we were not ready for that. We did not have a platform wherein people could file their invoices on a designed platform and get them paid. Because of that we had to come into the office'.

Roundtable participants commented on the need to engage with suppliers and customers more than before. They spoke of the importance of establishing trust in the liquidity of their organisation and across their supply chains. A CFO in the catering sector from South East Asia commented that: 'the working capital forecast during this time became very useable. We needed to cope with a rapid situation where cash flow management was critical. We learnt to forecast the daily cashflow, by the week, by the month. We also needed to forecast time in the restaurant as well'.

A CFO of a small business commented that at the start of the pandemic: '[we had] jumped on the back of a lot of the digital solutions that are bolted on to the back of Xero. It was a quick look around to see how we can transform and digitally move forwards'. The CFO of a not-for-profit based in Nigeria agreed with this and said that:

'Having a Cloud-based application was the only reason that we survived the pandemic'.

FIGURE 2.21: How effective has your organisation's technology been in supporting remote working by the finance function?

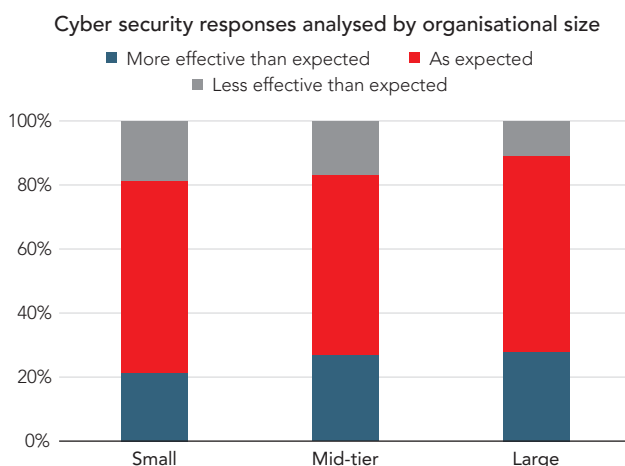


FIGURE 2.22: How effective has your organisation's technology been in supporting remote working by the finance function?

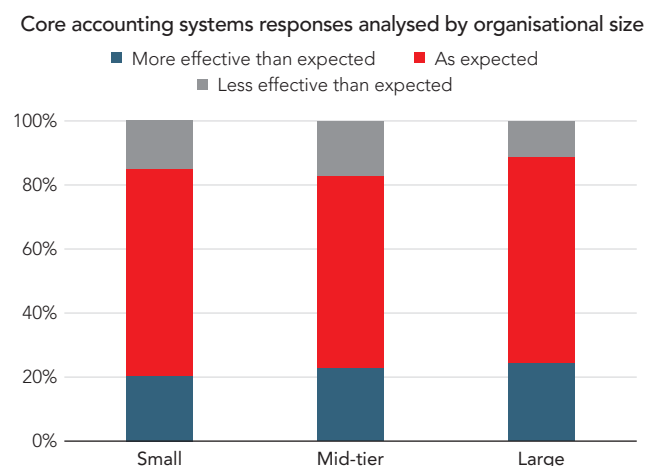
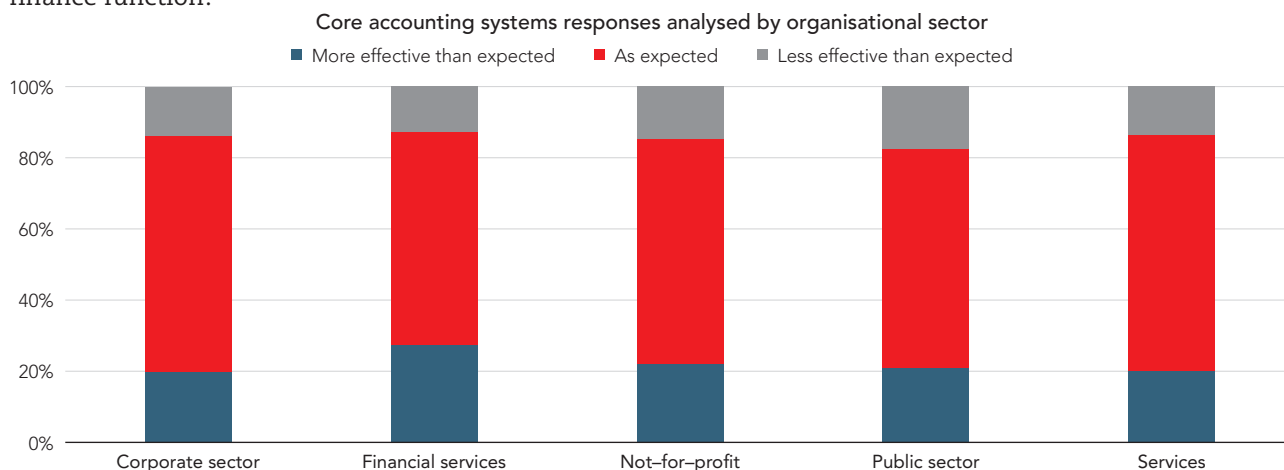


FIGURE 2.23: How effective has your organisation's technology been in supporting remote working by the finance function?



A leader of a small enterprise focused practice in Nigeria commented, as was reflected elsewhere, that there had been a growth in the practice during the pandemic as smaller organisations recognised the need to be able to access data in near real time. This had meant that the practice had acquired a significant number of new clients whom they had never physically met.

An agile culture

In the view of many of our roundtable participants, the technology infrastructure and optimised data flows count for nothing without a strong organisational culture.

One CFO in the Ireland roundtable commented that:

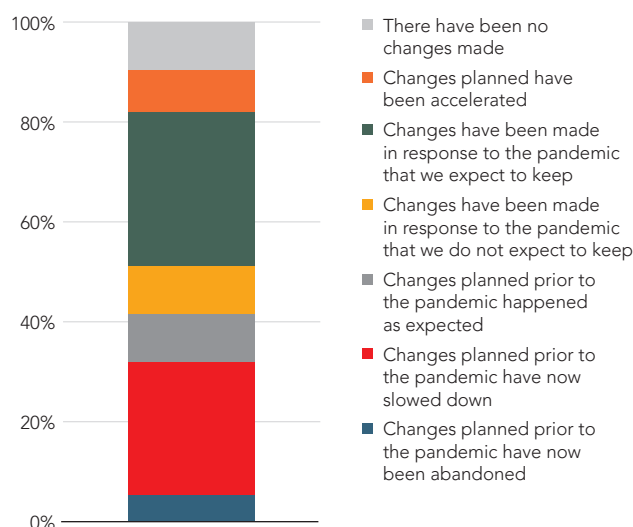
'One of the most important things that we have, and in many ways the success to date of how we have been able to manage through the pandemic, is culture. We have very much a growth mindset culture; one that means we are constantly learning and developing new ideas and new ways, challenging ourselves to do things differently, to drive greater productivity and outcomes. This has been foundational'.

Impact of changes planned

Many organisations will have had change programmes under way before the pandemic and needed to introduce other programmes to deal with new challenges, such as those in accounts payable, during the past year. Figure 2.24 summarises the responses to a question about

whether these programmes had continued and whether the additional programmes had a lasting benefit. Over 90% of the respondents had seen some form of change occurring during the pandemic. Of these, 25% had seen a slowing of the rate of change while only 8% had seen this accelerated. Effective change management can present a challenge for many organisations in normal times; undertaking it in circumstances such as those experienced in the past year has been doubly challenging.

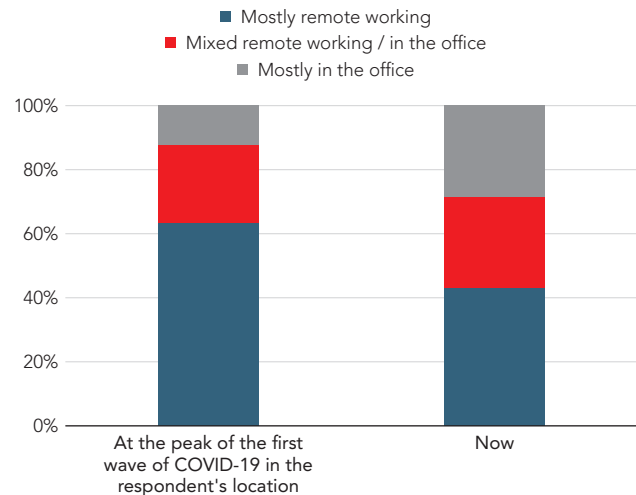
FIGURE 2.24: Reflecting upon any changes that have occurred to the finance function in your organisation because of the pandemic, which of the following reflects this?



So, what should I do?

- ✓ Develop an agile culture across the organisation, but especially in the finance function.
- ✓ Focus on technology and processes that will capture data as cleanly as possible and once and once only.
- ✓ Recognise that access to transactional data as it is generated is important.
- ✓ Identify the technology applications that improve data quality and use them.
- ✓ Automate basic processes wherever possible, allowing investment to concentrate in value-added activities.
- ✓ Understand and work with the business model that sits on top of the data model to ensure appropriate management and governance of data.

FIGURE 2.25: How would you best describe the operation of your finance function



2.5 How has finance changed?

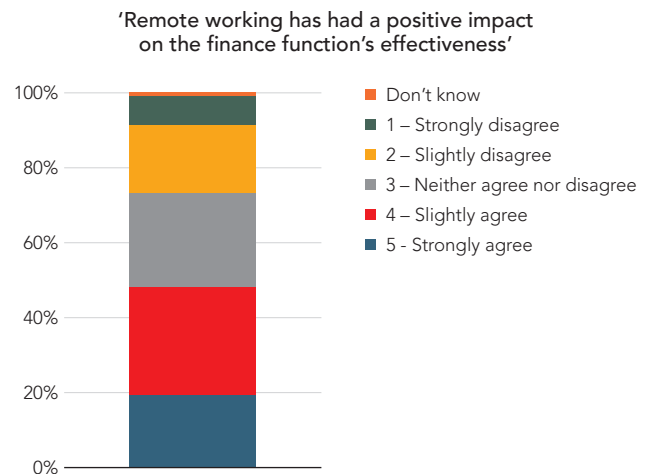
In conclusion, finance functions seem to have operated more effectively than many expected at the start of the pandemic. The roundtable participants highlighted some challenges, but for many these could be readily overcome.

Remote working vs. working-from-home

As we have progressed through the waves of the pandemic there have inevitably been fluctuations in the numbers working from home. Figure 2.25 shows that since the height of the first wave of the pandemic in locations where local lockdowns were generally applied, when 62% were working remotely, there has been a gradual rebalancing, with only 42% of respondents noting that they are working remotely now. Office-based working has increased from 12% to 28%. The range of responses to this question, as may be expected, was quite significant, with 73% of those in the UK working from home at the time of the survey in comparison with 31% in India, 27% in mainland China, 10% in Ghana and 7% in Pakistan.

Remote working may well have been a significant experiment for many organisations, but it is also one in which the organisations themselves have invested to ensure that their staff have the equipment and facilities available to perform their roles. One example of this comes from Nigeria, where one CFO explained that they 'gave everyone a budget to figure out their home and their internet connection. We gave everybody a monthly allowance for their internet'. Other roundtable participants have described similar programmes to provide back-up power supplies, consumables and even pets.

FIGURE 2.26: To what extent do you agree or disagree with the following statement?



Overall, only 26% of the respondents disagreed with the statement that (Figure 2.26) remote working had improved the effectiveness of the finance function. Given the concerns expressed in relation to remote working and fatigue (Figure 2.10) this is, perhaps, reassuring.

A CFO commented on remote working by explaining that one of the big lessons learnt was 'communication. You have people that were used to being in the office and that was how we communicated. Now people are getting burned out because they are constantly replying to their emails or are on Slack, or Zoom or Hangouts. My challenge now is to work with human resources (HR) to develop a remote culture to alleviate this burnout'.

A vice president of finance from mainland China commented, 'The question was not whether home office works but how it could work better. Where to work matters for some but not for all employees. In a remote work pattern, where employees seem to be like strangers and unable to socialise face-to-face, everything will get messed up. When collaboration does not involve mutual social emotions, will you call the rigid corporate process system a bridge? Impossible.'

'Home office is not a matter of cost-saving but a matter of trust. If you want to save money by adopting the remote office mode, you actually put the cart before the horse. If you pursue a work-life balance, you should never turn to home office. Do not consider home office till you reach work-life efficiency'.

Another roundtable participant from mainland China added that: 'in the future, when a [person] goes out to work, they will first of all seek happiness, that is, if they feel additionally happy when working with a group of people, then they will socialise with people. In other words, they come to office not for work but for socialisation. They need to see people, they need a group, that's all'.

Before too many conclusions about the impact of remote working, especially for the longer term, are reached, social scientists may well consider that we are in a liminal phase at present. This is a phase of ambiguity or disorientation that occurs in the middle stage of a 'rite of passage', a transition, when participants no longer hold their previous status but have not yet begun the transition to the status they will hold when the process is complete (Turner 1974). Indeed, one roundtable participant from South Africa cautioned that we should be careful to distinguish between remote working and working from home, especially when the latter is enforced. Being able to work remotely successfully on a longer-term basis requires a different skill set from that needed during the enforced lockdown and will need different adaptations from those made recently. What may have changed is that it should be recognised that some individuals perform better as remote workers.

The future of remote working is far from clear. While vaccinations are a useful tool, until such time as they cover a high proportion of the global population there is a possibility that the virus will continue to spread, albeit not as rapidly. The impact on the workforce will remain significant. Although there may be a trend towards spending more time working remotely in future, Amy C. Edmondson, a Harvard Business School professor who studies human interaction, is quoted in the New York

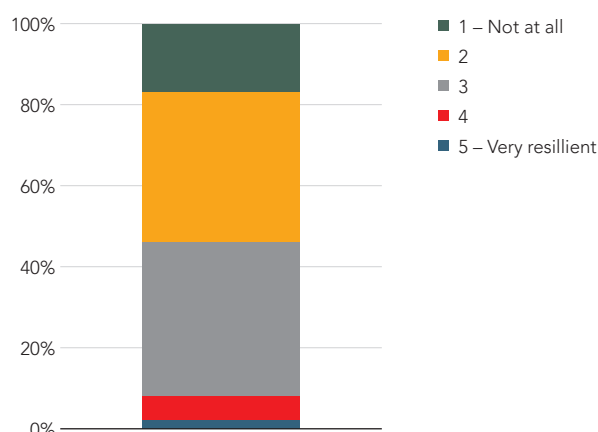
Times as saying that "'many executives were spooked that they'll lose their best people if they are not flexible". But she said some managers might now be going too far. Teams need to get together to get stuff done. "Just because we've managed to weather this storm, doesn't mean it's an optimal way to work", Ms Edmondson said. "If you're in a shipwreck and a piano top floats by, it becomes a lifesaver. But it's not the way you would have designed a lifesaver'" (Creswell and Eavis 2021).

In an interview with McKinsey (Kostopoulos 2021), author Tsedal Neeley contends that it is important to revisit the cultural norms of the organisation if the aspirations of the workforce are to be addressed. She argues that organisational cultures have already shifted, and it is important to accept that they have changed forever.

Internal control in the pandemic

One area of potential concern was the effectiveness of the internal control environment for organisations, given the extent of remote working and potential system and data issues. Among the survey respondents, only 6% were concerned that their systems had not been at all or only slightly resilient (Figure 2.27).

FIGURE 2.27: How resilient have your internal controls been, given the increased levels of remote working?



A CFO of a multinational's operations in India commented:

'Agility is becoming a very important quality for a finance professional. They have to assess and react in the shortest possible time'. Another CFO in India commented that agility is: 'about demonstrating changes and whether you are ready. Can I look at situations and adapt myself to various scenarios that come in?'

So, what should I do?

- ✓ Ensure that you have a robust process for identifying lessons learnt from the pandemic and actions that can be carried forward. While the impact of the pandemic continues, it may be appropriate to consider undertaking this activity at regular intervals so that corporate memory is not lost.
- ✓ Identify areas of opportunity for further improvement from the feedback from team members and stakeholders.
- ✓ Develop an improvement roadmap that transitions the finance function towards agreed goals that align with organisational strategy.

2.6 Reporting and insights – a greater impact?

Many of the roundtable participants reflected upon the impact of the pandemic on reporting, both internally and externally.

External reporting

The fact that most organisations were able to complete an external audit in these circumstances was noted as a significant achievement by most roundtable participants. This was especially the case for those whose circumstances had necessitated an additional focus on areas such as going-concern, and they said that they had been robustly challenged by their external auditors. Like many accountants, external auditors have adapted rapidly to working remotely and to capitalising on their own technology investments.

The survey respondents were asked whether their external reporting timelines had changed (Figure 2.28). For the majority this was not the case but 24% reported that they had been extended and 3% had postponed, in contrast to the 9% who suggested that their schedules had been accelerated because of the pandemic.

Forecasting

A major aspect of the pandemic has been the ability of the finance function to undertake more scenario-based modelling to assist organisational leaders to understand potential options and identify appropriate courses of action.

Figure 2.29 provides an overview of the cash flow forecasting horizons adopted by finance teams at the time of responding to the survey. Just under half (49%) were forecasting for under six months. This may reflect the continuing uncertainties of the situation.

Figure 2.30 provides an analysis by organisational size, where 'size' was determined by the respondents. 'Large' organisations were able to take a longer-term view, which is consistent with the view of some respondents who defined their organisations as 'small' that they were still in reactive mode, or the 'Act' phase (Figure 2.4). It is probable that for many of these organisations the struggles are not over yet.

An analysis of the responses by sector (Figure 2.31) shows that those in the not-for-profit sector seem to be taking a longer-term view, while those in organisations in the services and corporate sectors are still in shorter-term mode.

FIGURE 2.28: Have you changed your external reporting timetable in response to the pandemic?

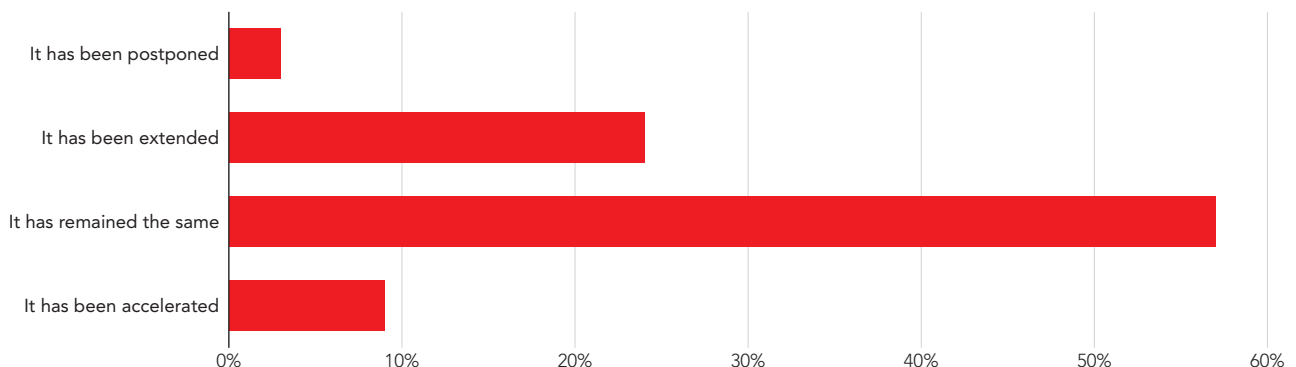


FIGURE 2.29: For what period of time are you currently undertaking your cash flow forecasting?

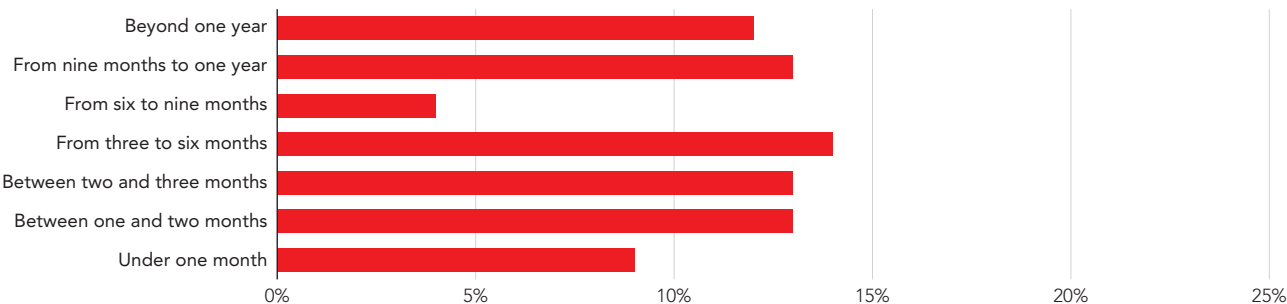


FIGURE 2.30: For what period of time are you currently undertaking your cash flow forecasting?

Analysis by organisation size as assessed by respondents

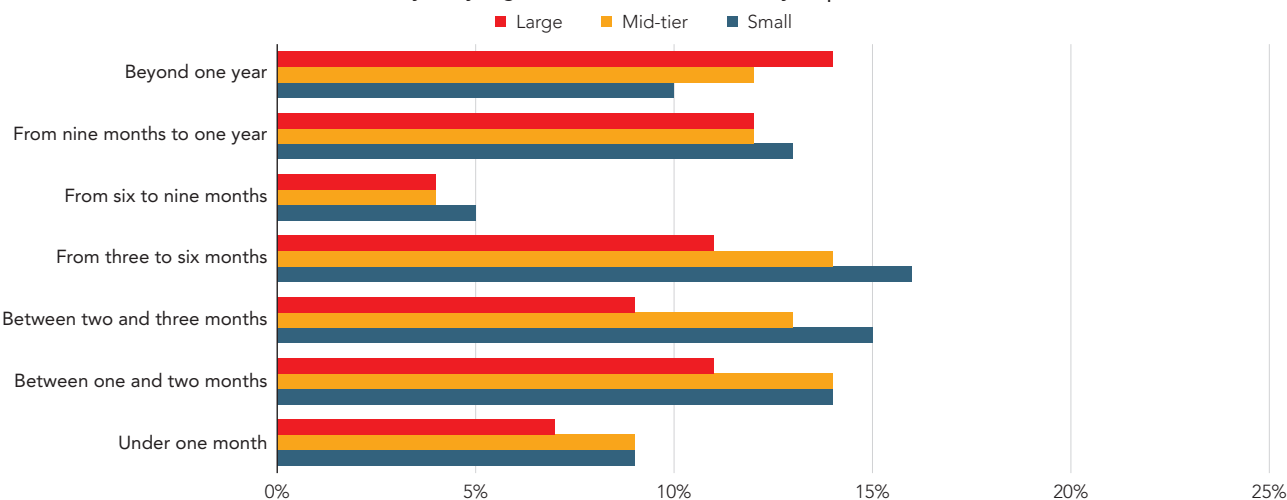
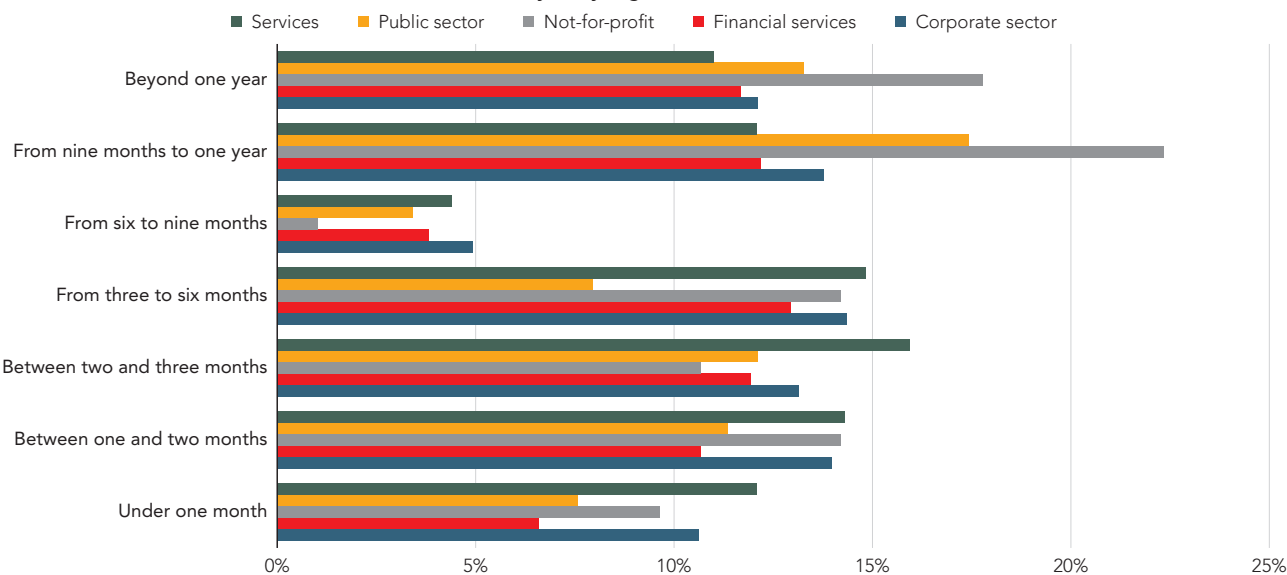


FIGURE 2.31: For what period of time are you currently undertaking your cash flow forecasting?

Analysis by organisation sector



A PwC partner who leads a business in SE Asia commented in a roundtable that:

'The finance team used to think that their weekly forecast was actually quite a robust process, but the pandemic just proved that it is totally inadequate. Even a daily forecast became inadequate, as I remember finishing a forecast at almost midnight and when I woke at 7am it was rendered out of date because a country had gone into lockdown. It really hit home that we need to change the ways that we do things'.

Several roundtable participants noted that, in addition to dealing with the changing cash forecasting horizons, they had needed to rethink their performance metrics. Some commented that this reflected a swing from managing activities primarily focused on the profit and loss account to an approach that focused more on the balance sheet (working capital). Others, however, expressed an element of doubt over this, suggesting that any such rebalancing could be necessary because the organisations had gone too far along a particular path in the first instance.

A CFO in East Africa commented that for her, 'one of the things was the increase in reports and projections. When the pandemic started, we were used to doing our projections on a quarterly basis. We were then being asked to do projections on different parameters on different KPIs [key performance indicators] on an almost weekly basis. That impacted our workload'.

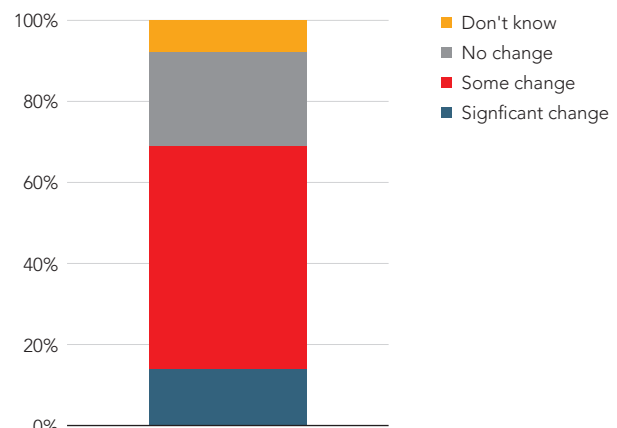
A CFO from Canada commented, 'when COVID hit everyone was running a "bazillion" scenarios to understand what the impact might be. I would say that the learning [point] for us is that you cannot just work alone. It was a period when nobody could really plan, and I remember putting together a graph showing the extreme level of different scenarios that [the board] were planning and having a big team behind the scenes. The main thing is to work really closely with operations to understand where the pain points are'.

A CFO from Ireland outlined an action that had assisted their organisation to manage the situation more effectively.

'In late 2018 and early 2019 we moved to single lines of ownership; to have a revenue owner, a general ledger owner and an accounts payable owner. When the pandemic hit and we were all home based, we absolutely knew who was responsible for each piece and that made it very much easier to get things done'.

Figure 2.32 suggests that for many respondents (69%) there had been some change, or a significant change, in the performance metrics of the organisation. There is no doubt that for many organisations there have been substantial changes in the operational models and these in turn will have required the finance team to re-evaluate how they measure performance.

FIGURE 2.32: To what extent have you changed your operational metrics, including those that evaluate non-financial information, because of the pandemic?



THERE IS NO DOUBT THAT FOR MANY ORGANISATIONS THERE HAVE BEEN SUBSTANTIAL CHANGES IN THE OPERATIONAL MODELS AND THESE IN TURN WILL HAVE REQUIRED THE FINANCE TEAM TO RE-EVALUATE HOW THEY MEASURE PERFORMANCE.

Planning and budgeting

Roundtable participants also highlighted changes in planning, budgeting and forecasting cycles. Clearly, for many, the budgets that they prepared for 2020 were based on assumptions not borne out in practice. Some, however, were keen to comment that they had exceeded budget expectations, and it was important not to have a totally black picture of the position.

One CFO from a retail-based organisation in Hong Kong SAR of China, commented that in her view ‘top management has an expectation of finance now to undertake predictive analytics on certain promotions, campaigns and product launches. As finance, we have more expectations for performance analysis such as at the store level. This is the future of finance’.

Some commented that they had changed to producing more rolling forecasts and would continue to do so in 2021.

Figure 2.33 suggests a slow return to previous planning cycles for some organisations as the pandemic has progressed. Only a few seem to have moved towards more flexible planning processes. This suggests that there may an opportunity here – one which will be explored in section 3.7.

Figure 2.34 provides an analysis of this by question by sector. The public sector, perhaps unsurprisingly, is the one where the existing cycles are most often maintained.

FIGURE 2.33: Thinking back, how have your planning, budgeting, and forecasting cycles been changed by the pandemic compared with those cycles in 2019, (a) at the peak of the first wave of COVID-19 in your location, and (b) now?

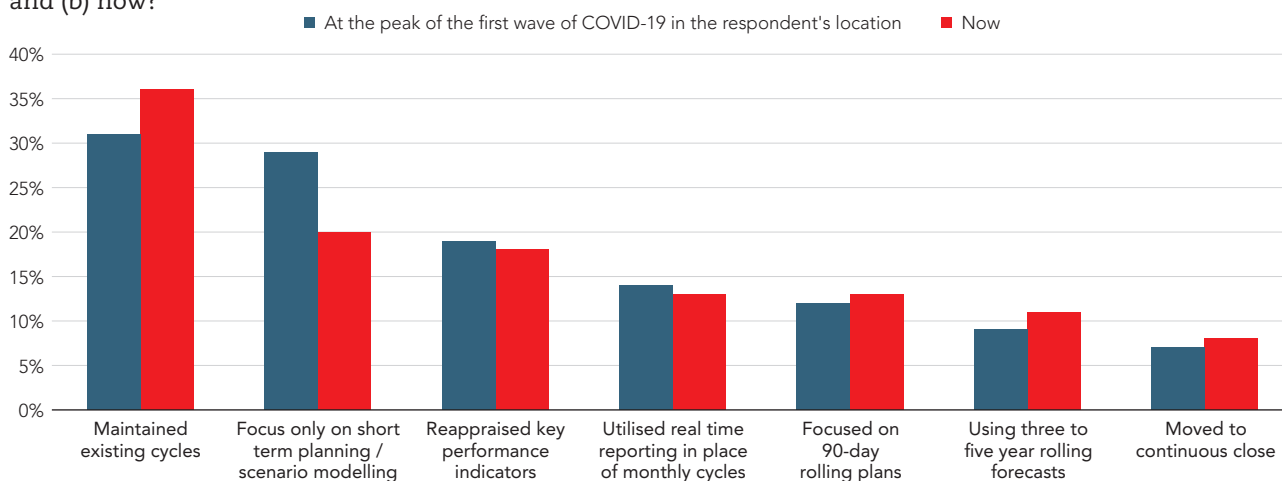
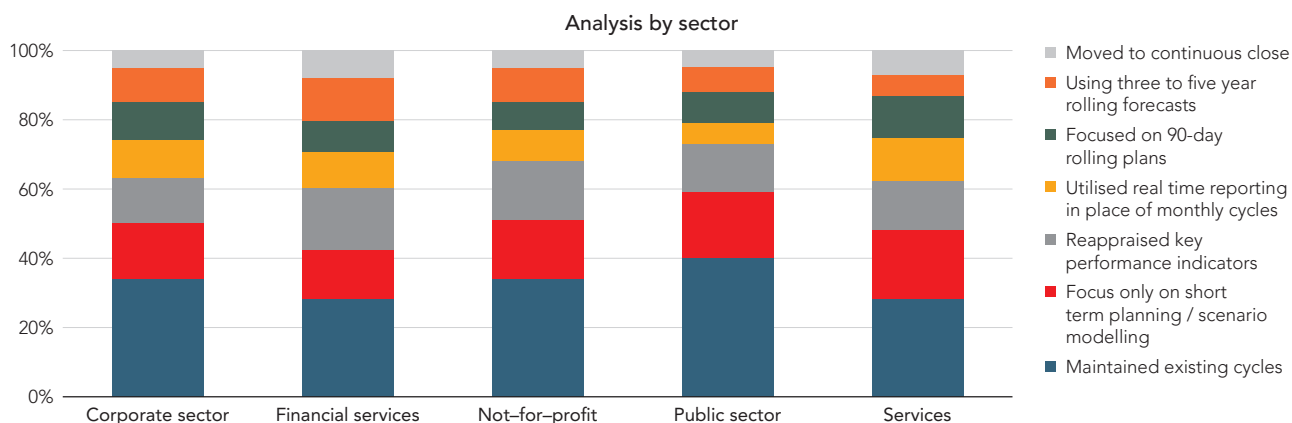


FIGURE 2.34: Thinking back, how have your planning, budgeting, and forecasting cycles been changed by the pandemic compared with those cycles in 2019 (b) now?



So, what should I do?

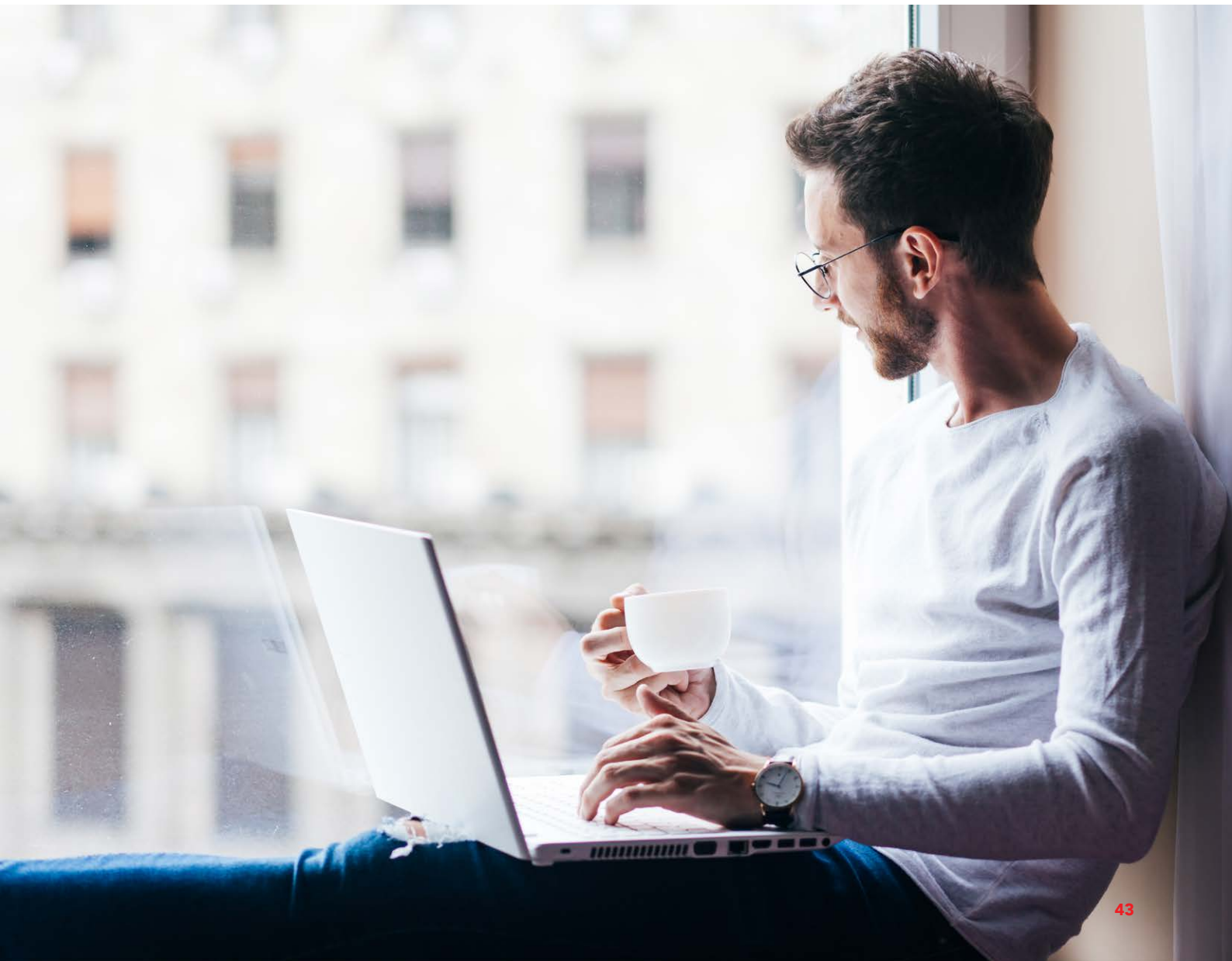
- ✓ Consider whether the traditional planning and budgeting cycles are appropriate to the organisation.
- ✓ Consider whether management information derived from these processes adds value.
- ✓ Reassess your operational metrics in the light of the changing business models.
- ✓ Reassess your performance management (both process- and people-related) processes in light of the changed operational metrics and required business agility.

2.7 Building forwards

In many ways, the reputation of finance functions has been enhanced by the pandemic. In many organisations, a role that was only marginal, or had not existed, before the pandemic is now a strategic role at the top table.

There are challenges to overcome, not least those relating to the mental health and fatigue of team members in the short to medium term. Technology and accounting systems have held up, perhaps better than some expected. Year-ends, in many cases with increased scrutiny, have been completed on time.

While the initial focus may be on the balance of remote working and how this is reflected in the future operating model, this is just one part of the future story of the finance function. But it now has a more robust platform upon which to build.



3. What now for the finance function?

3.1 Addressing the challenge of the future

While many finance professionals who have contributed to this report have underlined how the finance function has played a more relevant role during the pandemic, there remains a challenge to ensure that this enhanced contribution and relevance are maintained. The fact that only 34% of respondents to the survey (Figure 2.12) claimed that the changes would be lasting indicates the size of the challenge that many see. If the advances, supported by the acceleration of 'five years in five months' of data and technology, skills and careers, and collaboration and innovation, are to be maintained, then finance functions need to continue to step up in their role by adapting, as explained in this section. To fail to do so risks a regression, not only for the function but potentially for the organisation as a whole.

A roundtable participant from mainland China commented:

'To define what the future of finance is, we need to look at the future industries. The demand a century ago differs not much from what it is now, and so does the nature of business. The only thing that will be challenged is the boundary of an enterprise, as reliable information sources and wearable devices will ensure that all transactions are authentic. Finance fails to function in this aspect currently'.

There are eight areas relevant to the opportunity of finance after the pandemic, as shown in Figure 3.1 below.

FIGURE 3.1: Eight areas of opportunity for the post pandemic finance function



3.2 Reaffirming organisational purpose

The finance function only exists in a context. That context is the organisation that it serves and the purpose that it seeks to achieve.

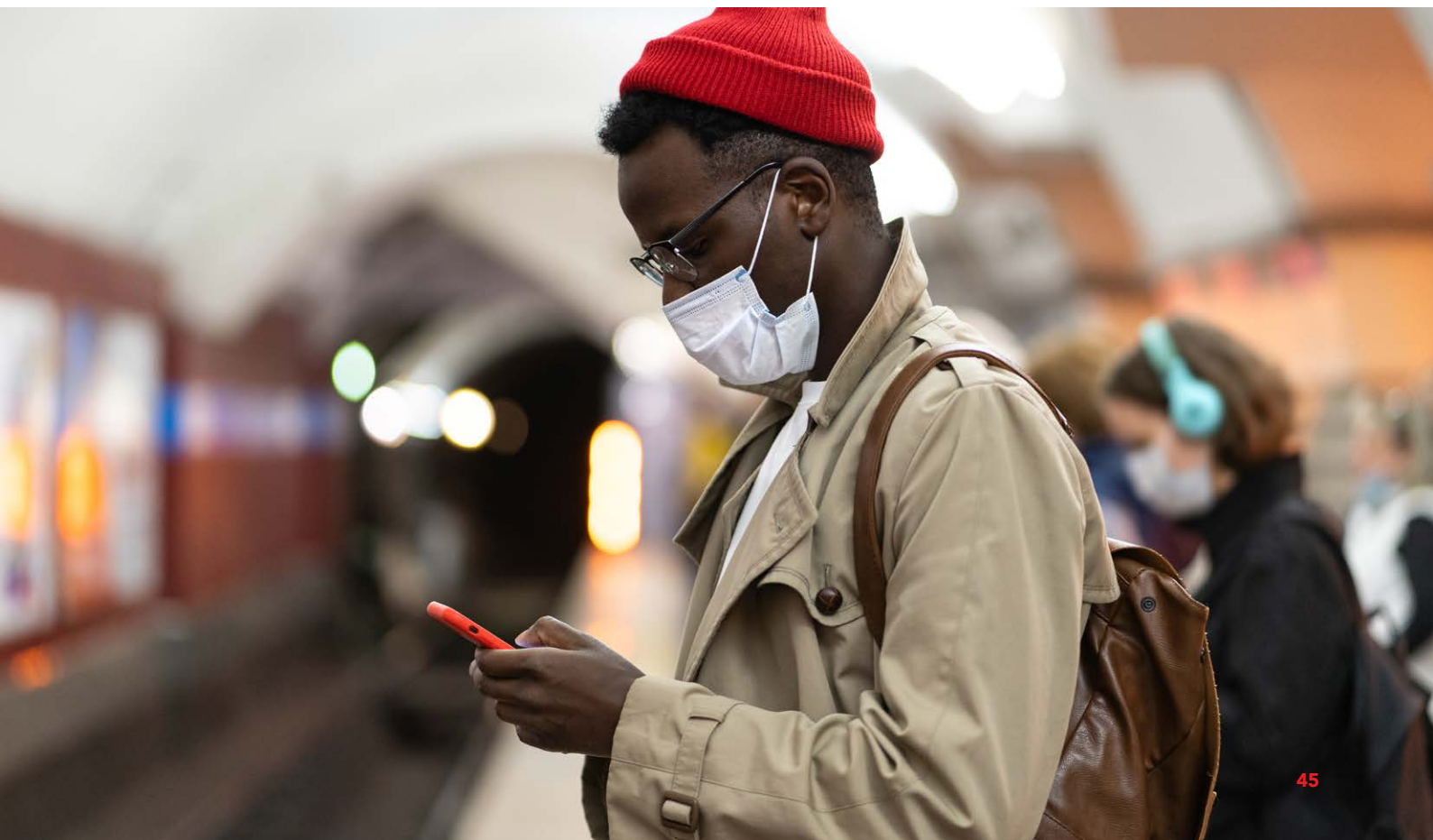
Before considering the finance function of the future, it is appropriate to consider the impact of the pandemic on organisations overall. Economically, growth levels are unlikely to return to pre-pandemic levels for some years. As waves of the pandemic continue to occur so we will continue to take steps forward and then backward. The incidence of virus variants will eventually be reduced as global herd immunity reaches a satisfactory level. While some locations may have quite advanced vaccination programmes, others have, unfortunately, yet to start. The impact of the consequent 'rollercoaster' economies is going to be the dominant feature of the next few years – we are already seeing great surges of optimism, followed by shocks when COVID cases rise. Resilience is going to be key for all organisations.

Organisations exist to serve their customers, be these businesses or consumers. As has been explored by some of the roundtable participants cited earlier in this report, a closer, more mutually beneficial relationship, up and down supply chains, has been a facet of the pandemic. This is one example of the ethical purpose

of organisations that is increasingly coming to the fore. No longer is profit the only gauge of success: the 3Ps of purpose, people and profit have been commented upon in our earlier reports. This is a broader definition of performance, although, as highlighted in our report *Finance Insights – Reimagined* (ACCA / PwC 2020), it would be easy to lose sight of this as we come out of the pandemic. A regional finance lead who heads a Shared Service Centre in India commented, 'finance has to do a better job in telling the story of what value [the organisation] has brought to people in the world'.

The impact of the pandemic is such that it is obvious that we cannot return to the ways in which we worked or the technologies that we used before. Whatever our location or role, the nature of what we do and how we do it has changed. The challenge is to respond in an agile manner to an organisational and commercial environment that is itself changing. Finance teams are an essential part of this change.

In the discussion of the future there is a risk of confusing the simple view of remote working with the lessons of technology and data, human capital and agility and collaboration that are the significant learning points from the pandemic. To focus on the former alone is to negate the lessons learnt from the latter aspects.



So, what should I do?

- ✓ Recognise the continuing need for dynamic planning and scenario modelling for the future.
- ✓ Continuously improve data quality and sources (both internal and external) and analytical capabilities to enhance confidence in the range of forecasts.
- ✓ Continuously improve the business insight skill sets of the function and continue to improve the links and collaboration with the operational departments in the organisation.

on processing such journals on a monthly basis, finance should expend effort on refining the processes during the data capture phase, wherever that was in the organisation, and ensuring that the right data was being recorded in the first place. In time, he contended, this would improve not only the reliability of the data but also the ability to derive insights from it.

This in turn would reduce effort and time expended on the traditional monthly cycles, releasing the team to focus on deriving insights and producing internal financial reports on a continuous basis.

An India-based CFO provided another perspective on this:

‘Around 30% of our time was [spent] on something which was passing something onto somebody else. So, effectively, we were operating at 70% where... ideally, we could realign our workforce to be more effective. Technology change will be a key driver in realigning our workforce’.

Another CFO, based in South Africa, reflected upon the progress that their organisation had made during the pandemic. Their first observation was on the importance of improving the effectiveness of the transactional efficiency and compliance and control elements of the role of the finance function. Once these had been secured – and this was an activity that they considered would normally have taken years but had to be executed in months – then attention could be focused on insights. One key lesson was that organisations no longer stand still. The ability to report information accurately in a dynamic environment was essential to organisational success. This challenged the traditional finance cycles. The ability to report information in real time was essential.

3.3 Changing role – maturing finance

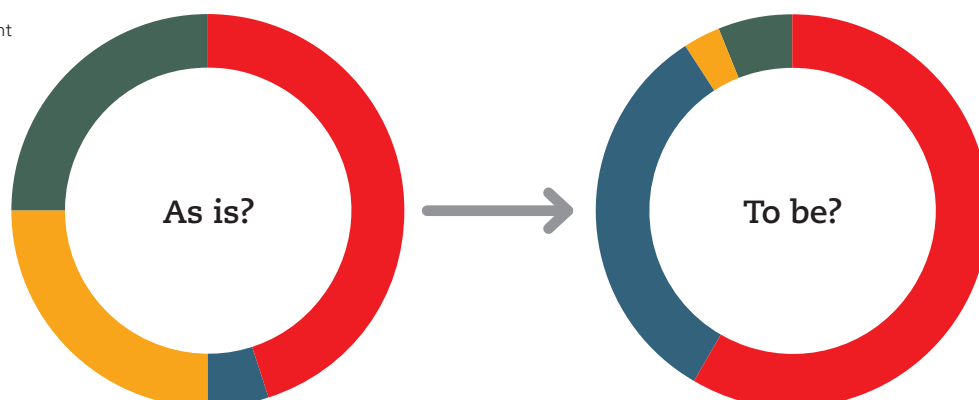
The pandemic has demonstrated that finance functions can be more strategic and hence more relevant for their organisations – increasingly so as we tend towards broader definitions of performance. There is a clear shift in the balance of the three elements of the function explored in Figure 1.1. While we have seen an increase in the importance of all these elements over the past year, as matters continue to evolve it is likely that the portion of time spent on business insight will continue to increase.

One CFO interviewed explained that the model needed to evolve. His view was that the finance function's evolution could be expressed in a model such as Figure 3.2.

Work components that involve analysis and insight are increasingly important but those that focus on transaction processing and, in particular, journals in the general ledger, should be minimised. He explained that the view that he shared with his team was that every general ledger journal represented an occasion where the data capture had not been performed correctly. Rather than focusing

FIGURE 3.2: A future model for finance activity

- Business relationship management
- Predictive analytics
- Journalling
- Descriptive analytics



Another roundtable participant in the same South Africa session, the founder of a small business consultancy, expressed the same view from the perspective of the smaller organisation. They explained that: 'our role is no longer just producing a set of financials, we are here to say "how can I have real-time information" to enable them to make business decisions. You cannot wait to say, "I am only processing at the month-end". You need to provide this information to your stakeholders when they call you'.

The pandemic has reinforced the need to move away from traditional cycles and to be ready to add value and report information as required. Many of these cycles were initiated at a time when there were disparate systems (both manual and computerised) which needed to be reconciled. This is no longer true and the case for evolution has never been stronger.

The concept of continuous close (or continuous accounting) has been discussed for several years. Many finance functions expend considerable amounts of time at month-end reconciling items. The reality may be that once this process has been completed sufficient time has passed for the information produced to be out of date. The past 18 months have demonstrated the value of up-to-date information to support decision-making, often at critical junctures. Compiling large amounts of financial, and increasingly non-financial, information is resource intensive. The technology platforms, such as the digital core (Figure 1.2) enable finance teams to concentrate on the data flows. The propensity for errors decreases the less manual intervention occurs in the process.

The level of integration that this architecture can offer means that it is possible to shift from monthly close cycles, to automated daily routines. Achieving this is a clear culture shift, one of the traditional pillars of the finance function is being evolved. Yet, that opportunity can be utilised to increase the value of insight – potentially an opportunity not to be missed.

Moving to such an approach can have benefits. These include:

- the availability of robust information when it is needed to support decision-making, not just a point in a cycle
- freeing resources in finance to support the organisation through greater analysis and insight
- improving the quality of the data available and hereby increasing the influence of finance
- improved data integrity
- less peaks in staff workload; and
- facilitating continuous improvement as processes can be more readily adapted.

In addition to continuous closing, the ability to have data available in real time opens up possibilities for continuous monitoring and auditing of transactions.

So, what should I do?

- ✓ Reassess the approach to closing cycles and the need to deliver information in real time.
- ✓ Adapt processes to minimise the journal entries and ensure that data is captured in as clean a manner as possible.
- ✓ Focus on resolving recurrent journal issues.

THE PANDEMIC HAS REINFORCED THE NEED TO MOVE AWAY FROM TRADITIONAL CYCLES AND TO BE READY TO ADD VALUE AND REPORT INFORMATION AS REQUIRED.

3.4 Evolving operating models

In Figure 1.1 we looked at the three core roles of finance. But several roundtable participants have explained how the need for more real-time data has led their organisations to rethink their approaches to the design of the finance function in the context of the wider organisation as a whole.

The traditional design involved a physical location. From the late-1960s onwards this was probably located somewhere with access to a mainframe computer that was used to run the ledgers. In the 2000s we saw the development of shared service centres, especially for larger organisations. In part, these were driven by the concept of centres of excellence but also by the cost consciousness of organisations that wanted to move transactional processing activities to lower-cost locations. Yet these centres still focused on periodic processing and reconciliations. The ability to process transactions in real time has been highlighted in many of the roundtable discussions.

In considering operating models, it is probably right to assume that there will be a move away from predominant office working. Organisations both large and small are reassessing their property portfolios and how their workspaces are configured. As has been seen through the pandemic this creates challenges for those leading them.

At the heart of any transition is the culture of the organisation. The workplace culture is very different where the workplace is geographically distributed and infinitely more flexible. While this is of benefit to both employee and employer in many ways, it is important to manage the practicalities. Proximity bias, for example, can be one

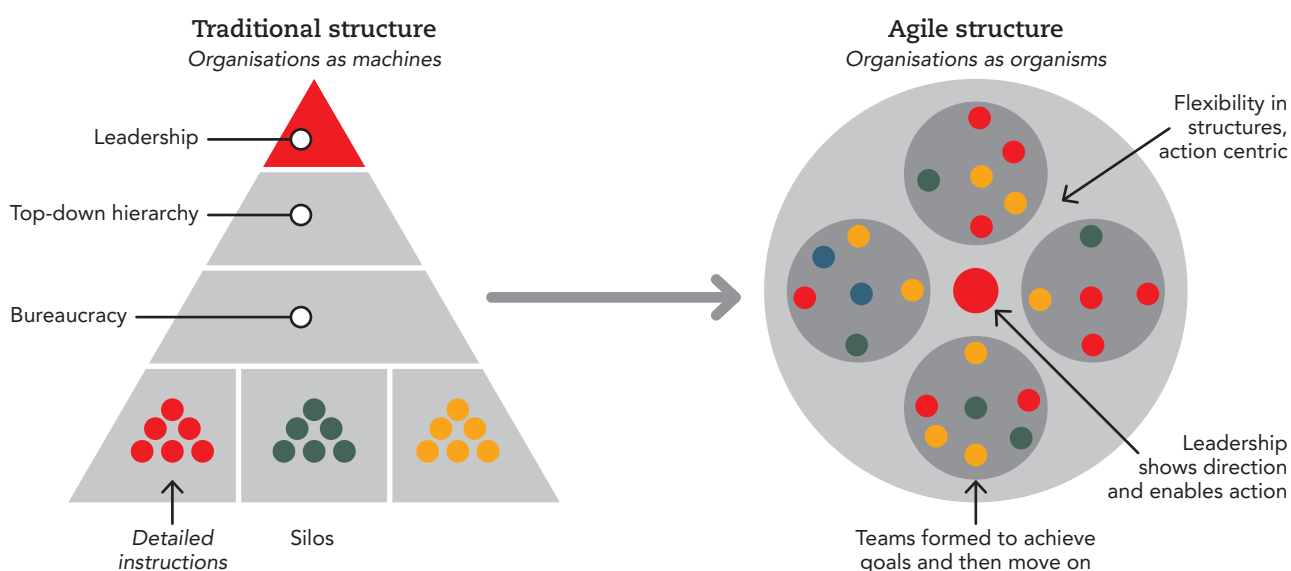
issue that needs to be addressed. This exists where the shortcuts in the way that the brain takes decisions favour those physically present with us rather than those remote from us. This is just one example of a new leadership agenda that we need to form.

A key lesson from many of the roundtable participants is that successful organisations have adopted more agile and collaborative structures. Figure 3.3 shows the differing characteristics between organisational types. In the traditional model, there is a silo-based, command-and-control structure where efforts are focused on teams. In the second model there is a more flexible approach to work. Teams are formed on an ad hoc basis with expertise as required. Teams are more transitory than in the traditional organisations and focus on project outcomes. This encourages intra-department collaboration. In the roundtables, the role that finance has played in these collaborative teams is seen as strengthening the reputation of the function and, in some cases, as having been a critical part of the team's success.

There are several attributes of agile organisations, including:

- a clear focus on a shared organisational purpose and measurement of goals
- a network of empowered teams; the network is typically in a flat structure with clear accountable roles and robust communities of practice
- rapid decision-making and learning cycles that allow experimentation, failure and rapid learning from experiences

FIGURE 3.3: Changing nature of organisations



- a dynamic people-based model that allows flexibility in resource allocation and continuous development at its core, and
- use of leading-edge technologies to facilitate collaboration.

A roundtable participant from mainland China reflected on the trends in transformation by saying, 'In the past two or three years, CEOs tended to leave this to CIOs. They have obviously made many detours. Since the beginning of this year, upon the outbreak, I discovered that more and more CEOs began to ask CFOs to take care of such things as if this had been the due responsibility of CFOs'.

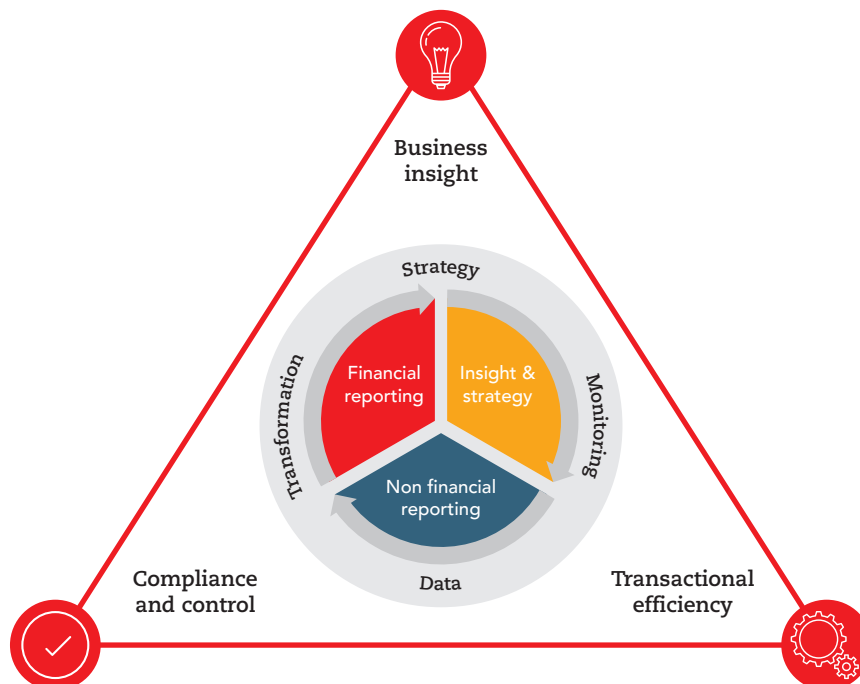
Some roundtable participants spoke of the need to refocus the organisational structure of the finance function during the pandemic. One participant from South Africa explained that deep expertise in areas such as tax and reporting were increasingly important. Business partnering and the ability to engage knowledgeably with the organisation were a core part of the function that had received additional attention. The partnering roles needed a deep understanding of the business model but also strong collaboration with those in more technical roles. In addition, roles such as risk review officer and

electronic balance sheet manager had been developed. The relevance of technology was also seen as important, so two roles supporting optimisation and finance projects had also been created. This participant saw the finance function of the future as a flatter organisation with more areas of expertise, all collaborating and connecting.

In the evolution of the finance function, the cornerstones represented in Figure 1.1 – generating business insight, transactional efficiency, and compliance and control – remain but to achieve these the core functions of the finance team must become somewhat more aligned to Figure 3.4.

A CFO roundtable participant from mainland China linked these changes to skill development overall, commenting that, 'regardless of whether you are doing O2C [order-to-cash] or P2P [procure-to-pay], you may just treat it as a learning platform. Where are your real strengths and capabilities? Process re-engineering and process optimisation are your strengths that can be used in other departments in the future, even if you leave the finance department. Our external world, including business boundaries, business models and customer groups, is constantly changing'.

FIGURE 3.4: Defining the future of the finance function





INSIGHT: Why productivity? Why now?



The global pandemic has disrupted organisations across all industries and geographies over the past 18 months and will continue to impact us for some time yet. During this period, many organisations had to make an almost overnight shift to remote working and for the majority this, or a hybrid form of office/remote working, is likely to become the norm.

The pandemic's effect on business has also exacerbated existing productivity challenges across most organisations. Many firms are facing increasingly unsustainable cost challenges – and if they don't take action, they'll face an existential threat. The productivity challenge isn't driven by cost. There is an increasing focus on employee wellbeing.

At the start of the period of remote working, many people thought productivity would suffer. For most of the finance leaders we spoke to during our roundtables when researching this report we found this wasn't the reality. Productivity remained high and deadlines, by and large, were met. The concern now though has shifted to whether this was only made possible by people working much longer hours rather than from an increase in how effectively they were working.

Factors such as cost and wellbeing, together with the move to largely untested hybrid working models where teams spend perhaps 50% of their time working remotely have highlighted a need to prioritise productivity. The conversation now though is a much more rounded one than perhaps we may have had two to three years ago and includes topics such as how we utilise our office space, changing ways of working, increasing collaboration, leveraging technology and revisiting management and leadership styles to increase both productivity and employee engagements.

The pandemic has presented productivity opportunities, too. For example, finance leaders highlighted that the closure of offices due to health concerns, really helped accelerate the switch to digital channels both for customers of the business and those within the organisation who had previously struggled to embed and adopt new technologies. From an engagement and

wellbeing perspective too [PwC's Global Hopes and Fears 2021 Survey](#) found that 72% of workers now prefer a mixture of in-person and remote working, with only 9% stating they want to go back to a traditional work environment full-time. This new hybrid model presents further opportunities to build more effective and engaged finance teams.

Another opportunity to consider is around risk reduction. Generally speaking the risk of error is higher where finance teams are stretched, working long hours and involved in running very manual processes. Improving productivity and the underlying process and technology architecture that supports finance reduces this risk of error. In a hybrid work environment it is more important to do this as supervision and providing real time oversight to teams can be harder.

The first challenge for finance in improving productivity is often measuring it. Many of the organisations we spoke to had no way of measuring productivity and observed that their processes were too fragmented or manually intensive to be measured. Technology does exist to measure the productivity of your workforce but this can be a sensitive topic – some consider that gathering this data is counter cultural or too much like surveillance of employees for their organisation to adopt. Most of these concerns lie in how the data is used and the objectives and outcomes you seek to achieve from improving productivity.

The latest digital tools to measure productivity improve by helping your teams to work smarter, not harder. Incentivised within a framework that empowers people to improve it, productivity measurement can help unlock the potential of every employee. Without empowerment, it can become surveillance – doing it right is critical. ►

INSIGHT: Why productivity? Why now?



The value of having a north-star metric based around productivity is its ability to focus, make coherent, and measure the benefit of the initiatives you embark upon. As organisations look to change how they work and experiment with new ways of working, it is important to know whether the changes are having a positive effect and that you are getting value from your change spend. An enterprise-wide productivity initiative will improve morale, quality, cycle times, right first-time metrics, and do it at 30-40% lower cost. It will also lower operational risk as employees are less time pressured and more engaged. However, in order to drive these sustainable benefits finance functions will require the right skills, tools and culture in place.

Whilst 36% of CEOs are focusing on driving productivity through automation and technology is one of their top three priorities, 72% are concerned about the availability of skills. New hybrid, digital operating models require a different set of skills and behaviours in finance – digital IQ, deeper technology and data skills, greater agility and the ability to think creatively about how work can be done and to innovate, test and reassess how work is done. These skills are perhaps not traditionally found in finance teams and they are hugely in demand now – people need to be upskilled but also new talent needs to be brought into existing teams to help drive changes in behaviours and ways of working and to bring greater diversity of thinking and skills to the team.

In the future finance operating model, augmented and completely new skills are expected from our workforce. This is along with the traditional technical skills of planning, forecasting, compliance, transactional processing coupled with soft skills of managing, influencing and collaboration. It is clear that enhanced technical capabilities incorporating some net new skills such as Virtual Workforce Management, Data Science and softer skills like storytelling and relationship building are all building blocks of success.

Ensuring you have the right skills in finance is one element but to attract and retain best talent and to drive meaningful change, culture is critical. 77% of employees agree that an organisation's culture is a key factor in deciding whether to join.

Change is hard. 70% of digital transformations fail, most often due to resistance from employees. Successful finance functions understand what current behaviours can help accelerate the changes that they want to see. Plus, they find ways to counterbalance and diminish other elements of the culture that hinder them. They can initiate, accelerate, and sustain beneficial change with less effort, time and expense; generally with better results.

Measurement is so important whether it's measuring productivity or the impact of changing cultural behaviours. These metrics could include things such as the uptake of initiatives, the adoption of behaviours through staff surveys and over time, measuring the impact of behaviours on the strategic aspiration. At the end of the day, it is the role of finance business partners to measure their organisation's impact on financial performance, workforce practices, purpose and values.

So, what should finance leaders focus on now?

- **Measuring productivity:** establish studies and KPIs to understand productivity at the task level and complement this with human-focused analytics
- **Establish a high performance culture:** focus on identifying and embedding the right culture and behaviours to enhance productivity, engagement, agility and resilience
- **Invest in upskilling the finance team:** provide the central support and platform to improve Digital IQ and the soft skills of the team to prepare people to work effectively in the hybrid, technology enabled workplace; and
- **Build an agile and resilient operating model:** optimise people, process, technology and governance to create an agile business resilient to disruption and able to deploy rapid change.



Darren Homer, Productivity Partner,
PwC

So, what should I do?

- ✓ Reappraise the operating model of the function to reflect the dynamic demands on skills and talent.
- ✓ Consider the lessons learnt from agile responses to the pandemic and how these can be applied on a continuous basis.
- ✓ Develop a workplace culture that is fit for the dynamic times in which we live.

3.5 ESG – still missing?

While finance functions have managed to address the immediacy of the pandemic, there remains the greater risk of climate change and the broader ESG agenda. Many governments and organisations have taken the opportunity to reaffirm their commitment to Net-Zero carbon emissions over various periods of time as part of their agenda for bringing the world out of the pandemic in a better position than before. Climate change has not stopped during the pandemic, though it may have been marginally reduced as carbon fuels were consumed at a slightly slower rate. The reality is that the focus may have shifted for a year, but that may be a year lost for taking action.

Regulators and lenders are increasingly focusing on climate-related disclosures. In the report *Finance Insights – Reimagined* (ACCA / PwC 2020), we outlined the importance of this agenda in the decision-making process in organisations.⁹ The focus on external risks may well intensify, so the need to embrace ESG issues is paramount. Finance teams cannot, indeed must not, ignore this.

In 2021, the Edelman Trust Barometer, which measures the extent of trust in institutions across society in 27 countries around the world on an annual basis, concluded that, 'business [is] now [the] only institution seen as both competent and ethical' (Edelman 2021) with business being trusted more than governments in 18 out of 27 countries. They recorded that 72% of their respondents were concerned about climate change and 40% were fearful, while 63% of those surveyed trusted their employer's CEO, in contrast to 48% (a decline of 3% in the year) for CEOs in general and 41% for government leaders.

The need for trust in institutions, as represented by governments and other leaders, in addressing this agenda reinforces the importance for organisations of acting effectively in these areas. In ACCA and IMA's report on the role of the CFO (ACCA / IMA 2020), the notion that the role is evolving towards a chief performance or chief value officer was supported by 65% of the respondents to the survey discussed in that report, who said that it was either about to happen or had already happened (ACCA / IMA 2020).

The commonly made comment that 'you get what you measure' reinforces the importance of this agenda. As finance functions and their leaders increasingly look to addressing the measurement aspects of the evolving disclosure frameworks,¹⁰ collecting data, both structured and unstructured, to aid this measurement is increasingly important. While only 22% of the respondents saw this as an issue for the finance function (Figure 2.8), as noted in ACCA's *Rethinking Risk* report (ACCA 2021a), it is the requirement to collect data for non-financial reporting purposes that is starting to force attention on this in finance functions. Nonetheless, roundtable participants often commented that while they appreciated the issue, there was a lack of confidence in the data available and uncertainty about where to start, especially in relation to non-financial data.

It is important that finance functions grasp this agenda and play their full role if the targets set around the world are to be achieved. While many may argue that this is a board-level issue, the reality is that, as with the inclusion agenda, only a combination of drive across the organisation and senior-level leadership will achieve the necessary outcomes. Finance teams need to be at the forefront of those driving this agenda. If it is driven solely by external reporting statistics, the result will be outcomes that, while measurable, do not necessarily contribute to actual improvements across the organisation. Only through informed decision-making based upon a combination of robust data and insights can this be achieved. Finance teams need to develop a strategy for identifying and collecting appropriate data, not only for external reporting purposes, but also to support internal decision-making. While for many this is a challenge, the opportunity is there and the need is pressing.

⁹ ACCA has also considered this in other reports – see ACCA 2020d and ACCA 2020a.

¹⁰ As an example, on 21 April 2021 the European Commission published its proposals for a Corporate Sustainability Reporting Directive (CSRD), which it intends will increase the disclosure requirements (European Commission 2021). A similar consultation is being conducted by the US Securities and Exchange Commission (Lee 2021). Other disclosure requirements concern areas of social and corporate governance. A fuller discussion is in ACCA 2021a, and on the human capital elements ACCA 2021b.



INSIGHT: Seizing the opportunity to extend the role of finance



Our research shows that during the pandemic, the role of finance has become central to the success, and in some cases even the survival, of many organisations. For some it was a case of “back to basics” in a time of crisis – cost control, cash management, planning and forecasting and receivables management all became key disciplines.

However, we have also seen changes in the demands placed on organisations from a wide range of stakeholders who have an interest in a much broader range of indicators of performance in addition to traditional financial performance measures.

Environmental, Social and Governance (ESG) reporting, and more specifically climate change, inclusion and diversity, societal impact and human capital reporting is becoming an increasingly important topic around the board room table as stakeholders and investors seek to understand the impact organisations have on all aspects of society.

This presents a fantastic opportunity for finance functions to extend their role into new areas, to articulate a holistic view of business performance through a broad range of lenses and to step into an advisory position to help ensure key business decisions take into account these ESG factors.

The **immediate opportunity for finance** lies in working with investors, regulators, standard setters and other stakeholders to understand the current and forthcoming disclosure requirements in each of these areas. Once this landscape is understood it becomes a data challenge in terms of assessing what data is available to allow you to fulfil your commitments of obligations around disclosure.

The opportunity obviously extends much further though – take Net-Zero for example – many organisations are making commitments but how many really know how they will get there? Some probably don’t even know the starting point on the journey, never mind how they will measure progress toward their stated goal.

The opportunity for finance is to help the organisation understand its current position, develop a plan to deliver on the commitments made and subsequently measure progress against this plan. Currently most are articulating their plans and explaining progress in a qualitative way. It is for this reason that the role of finance is so important – finance can develop the framework of goals, KPIs and targets along the road to Net-Zero and can help articulate where an organisation is on the journey. The next, and perhaps even more challenging role for finance, is to step up into an advisory role for the business giving input to all business decisions to ensure they are consistent with the organisation’s goals and are moving you towards your Net-Zero commitment rather than away from it.

The challenge is that in many areas of ESG reporting, the requirements are evolving with stakeholder demands that in themselves are changing and becoming more sophisticated. To some extent it is left to organisations to define how they articulate progress and the impact they are having.





INSIGHT: Seizing the opportunity to extend the role of finance



With this backdrop finance needs to define the new performance management and decision-making framework for the organisation which needs to incorporate broader views of performance. The next challenge is data – what data do you need to report and track progress, where does it come from and how do you ensure its integrity? Finance teams need to work with others across the organisation and with data providers and other parties externally to identify data sources and leverage them for reporting. This will mean finance teams becoming accustomed to working with new data sets from non-traditional sources and this requires a change of mindset – to explore and be more inquisitive about data and what it can tell you. It will also require the rapid development of the skillsets within the finance team to promote the use of new technology solutions to interrogate, manipulate and visualise data to drive out insight.

To increase the relevance of the finance team in these hugely important areas requires a change of mindset, changes to process and technology and the development of not only a more data-centric culture within finance but also a broader understanding of performance measurement. In a previous PwC/ACCA report *Finance Insights – Reimagined* we looked at integrated reporting and the Six Capitals and found that the majority of finance's time was still spent focusing on Financial and Manufactured capital reporting. In approximately 60% of organisations finance had little or no involvement in Natural, Human or Social capital reporting – these areas of ESG reporting will be critical to generating growth opportunities and value for organisations in future years

so finance needs to act now to ensure its continued relevance at the heart of business decision-making.

Our survey and roundtables conducted to support this research showed that the most successful and innovative finance functions are:

- driving the debate on ESG and developing new performance management frameworks aligned to the organisation's ESG related goals
- at the heart of business decision-making considering the impact key decisions are having on ESG factors such as climate change
- investing in the data skills of their people and upskilling them in the use of emerging technologies around data, analytics and visualisation to support insight generation, and;
- working collaboratively across the organisation and with external data providers and industry to source data and develop insights.

As finance professionals we need to seize the opportunity outlined above as people have become more interested in the purpose of the organisations they interact with. Finance, data and insight generation are at the heart of this journey.



Brian Furness, Global head of finance consulting, PwC

So, what should I do?

- ✓ Recognise the imperative of the ESG agenda and that it cannot wait to be addressed after the pandemic.
- ✓ Allocate sufficient, skilled, resources to the required activities.
- ✓ Ensure that the finance team has strategies in place to address the requirements of non-financial reporting.
- ✓ Ensure that data collection activities reflect the data that must be reported, both internally and externally.

As one CFO noted, no longer is it appropriate to say that 'sales have risen from 100 to 120 because we have sold 20% more units'. While this might be simplistic it goes to the heart of the enhanced reputation of finance teams in the pandemic. This has clearly been built upon a clear understanding of the business model and the ability to drill down to understand the cause of changes in performance. The traditional approach to assessing organisational performance clearly needs to be questioned. The report *Finance – A Journey to the Future?* (ACCA / PwC 2019) highlighted the work of Bjarte Bogsnes in this area, as explained in his book *Implementing Beyond Budgeting: Unlocking the Performance Potential* (Bogsnes 2016). The arguments expressed in this work remain valid in determining whether the finance function has reached the point where it can reconsider a cycle that is constraining its potential.

A regional finance lead who heads a Shared Service Centre in India commented:

'I think that we have to bring in some new parameters in the way that we are evaluating performance. The whole world is changing so fast, and this will impact finance for the next 10 years. It is all integrated reporting and sustainability reporting'.

3.6 Financing organisations

As countries seek to come out of the pandemic and repair the damage to their economies, so attention is turning increasingly to ethical financing. This reflects the Net-Zero-carbon-emissions agenda but also the need to convince lenders and other stakeholders of the relevant credentials of the organisation. Finance teams will increasingly need to be score keepers in this area.

A CFO from South East Asia commented:

'Finance can function better in terms of its ability to influence other functions to focus more on the preservation of cash, for example seeking other opportunities for trade financing rather than just relying on banks for support'.

Finance teams need to appreciate that the approaches that lenders are now taking differ from those before the pandemic. Ethical and sustainable lending are becoming significant factors. Lenders are increasingly also considering the credibility and transparency of management teams as a key factor.

3.7 Planning, budgeting and forecasting – a new reality?

The pandemic has also raised questions about whether organisations still need the traditional approach to planning, budgeting and forecasting. For many organisations, the strategic driver in the pandemic has become the need to generate scenario-based forecasts that indicate a range of potential outcomes.

The annual planning cycle is another traditional component of finance function activity that will require a culture change to address. The past 18 months have shown that events can question traditional approaches. Many organisations have found that their budgets for 2020 have borne no relation to actuals. Some have exceeded expectations, and some have been more challenged. Yet the traditional planning cycle is another component that is held onto by many. As with the month end close, many hours are spent by functions in developing variance analyses that simply codify the known; sales have increased 20% because we have sold more. As Thomas Sutter of Netsuite (Sutter 2020) comments, 'Once cash flow is under control, and budgeting is being carried out in real time, CFOs must accelerate forecasting work, using continually updated business information to strategically plan for every eventuality.'

Moving away from the traditional planning cycle enables finance teams to focus on insights.



INSIGHT: A new reality for planning, budgeting and forecasting?



The events of the last 18 months have tested the effectiveness of finance teams and challenged how they deliver insight to the business. In particular, FP&A and reporting teams have been stretched as the demand for rapid and effective business insight from finance has proved critical for many organisations which have been placed under acute stress. For many, it has served to demonstrate the flexibility and resilience of the latest generation of cloud tools and technologies. It has also informed how the solutions developed in a pre-COVID world can be enhanced to support the anticipated new ways of working.

Well-designed planning and forecasting processes have the potential to steer business performance and help deliver game-changing benefits by providing a clear link between strategic decisions made and the value they deliver. However, in our experience many organisations have been forced to confront the fact that their planning processes are disengaged from the business and feel more like running a process for the sake of it rather than helping to steer business decision-making. Unsurprisingly, such processes produce little insight and plans that may have taken months to prepare quickly become redundant.

It would be a mistake to think this is purely a finance issue, which if remedied would result in minor efficiency gains – during the pandemic finance has had to hugely accelerate its ability to shine a light on performance and help organisations respond to changing market conditions. Poor forecasting capability hinders management from ‘seeing what is around the corner’ and hampers value creation if it results in capital being allocated ineffectively. At the best of times this can result in profit warnings and hit share prices.

Even in times of greater stability, effective planning and forecasting has a tangible impact on an organisation's ability to manage, monitor and communicate how value is created. At a time of crisis, organisations that operate informal processes, with an over reliance on intuition and limited shared understanding of key value drivers have

been at real threat. Recently, we have seen organisations looking to deploy data-driven approaches to measure the impact of their planning processes and drive performance improvements. By scanning the forecasting accuracy of their portfolio of business units they have been able systematically identify those with poor performance and identify teams in need of support.

We have seen many leading finance organisations working on strengthening the link between strategy and forecasting, for instance by creating a capital allocation and forecasting governance framework supported by dynamic dashboard tools to continuously monitor forecasting accuracy. Early availability of data is key – ultimately all plans and forecasts are wrong – the real question is how wrong they need to be before course correction is required and how quickly you can identify where corrections are needed and what form they should take. This agility is critical to how finance teams can drive value for the organisation.

An interesting corollary arising from this example is that organisations can often achieve better outcomes by doing less. Though it seems counterintuitive, most effort dispensed on preparing bottom-up P&L forecasts and excessively iterating immaterial variances is unproductive and can be eliminated by focusing on a small number of important metrics, updating forecasts on an event-driven basis and highlighting assumptions upfront. ►



INSIGHT: A new reality for planning, budgeting and forecasting?



Likewise, finance organisations are being asked to focus on increasing the value of their reporting while challenging the cost and effort directed towards manual and customised report creation.

The most successful initiatives in this area combine technology and organisational change with a clear focus on the needs of the end customer. In the context of commercial finance, for example, successful adoption of self-service reporting requires very clear understanding and optimisation of underlying sales and cost datasets. The right model can provide significant reduction in the cost of delivery of reports and a new level of insight and effective way of sharing information with the business. For instance, the establishment of a centre of excellence to support the generation and maintenance of the reporting tool and dashboards can be used to drive cost savings and free up finance business partners to focus where they can add the greatest value – providing dedicated support to the executive team.

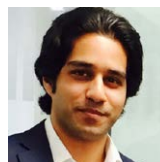
During the pandemic this type of approach has clearly proved its worth – enabling the rapid delivery of insight to the decision makers with most business users being able to self-serve with the new dashboards. As the survey and roundtables this report is based on have identified, finance business partners have found themselves more

central to the operations of the business supporting executives in the interpretation of the financial metrics and to support predictive and prescriptive analytics. Rapid, high quality and relevant information and the supporting business insight are key effective and decision-making in increasingly demanding timeframes. The toolsets have proved highly resilient in the face of the requirement to work remotely. The experience has also highlighted the need to augment finance with the required data management and technical data manipulation skills. We see clear evidence that where these models have been adopted, business partners have responded well to their consistent and widespread involvement in key business meetings and decisions. It has reinforced the pre-pandemic opinion that this move was needed and created a focus on development in critical thinking, innovation and influencing.

If finance teams can continue to respond and adapt in the face of new challenges in the way they have over the past 18 months and if they can adapt quickly to new ways of working and new technologies they will continue to be central to business strategy and decision-making. However, if they fail to adapt, the role of finance may become purely operational, and control focused rather than one which drives business value.



Harry Shuttleworth, Director,
Finance Transformation, PwC



Danyal Siddiqi, Senior Manager,
Finance Transformation, PwC

The reality is that to achieve this it is necessary to continue the investment in data and technology to benefit the organisation.

So, what should I do?

- ✓ Reappraise the performance management metrics in the light of the performance model.
- ✓ Consider whether the traditional planning cycles create the return needed against effort expended, or whether more agile and scenario-based approaches can be adopted.
- ✓ Consider how sustainability and human capital are reflected in the performance-reporting processes.

3.8 Data and technology – the fundamental necessities?

The survey respondents were asked to consider which of a range of technologies and data options they planned to invest in. The options included several techniques and tools thought to have benefited those organisations that had already invested in them before the pandemic or that had made tactical investments in them during the past year. The roundtable participants were of the view that those organisations that had invested in data and technology before the pandemic were able to operate more effectively during it.

A UK roundtable participant commented that many of the organisations that he was working with are 'preparing for recovering by starting to adopt best-of-breed software solutions, as opposed to everything pinned on one Cloud-

based ERP solution. [Organisations are] picking specific tools that you can bolt on to enable them to be agile and react in the future to anything such as this [that arises] again'.

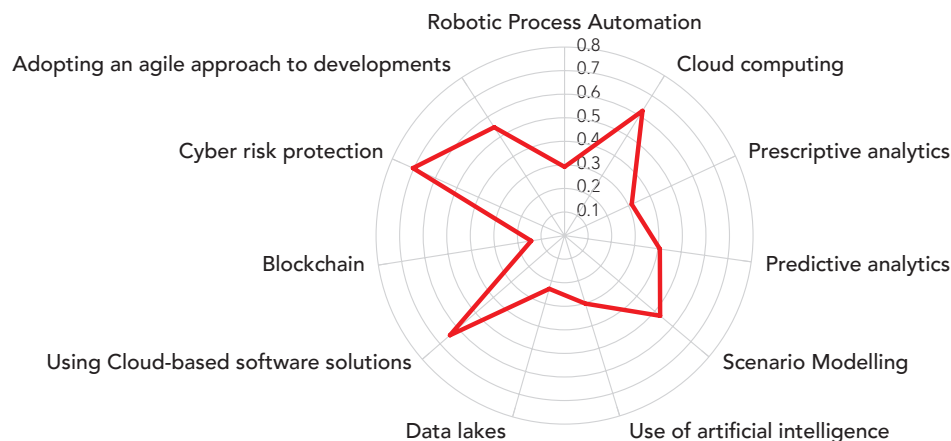
A CFO who participated in the Ireland roundtable commented, 'nobody knew if finance could deliver month ends in the virtual world. [This gives me] great confidence for the future. I do feel that the time is now for finance leaders to ask for investment, to push for more automated workflow tools, to push for more visualisation; and to build [on the] momentum that has been created from the last 12 months'.

A roundtable participant from mainland China noted that, 'Finance will, in terms of its functions and scope, come up with an overall solution, and all finance managers can take up positions as CEOs or COOs in the future.

'I think the gap may stem from digitisation. One challenge it poses is that it is too fragmented. Its technology emerges endlessly and iterates too quickly. This can be divided into three levels. [Another challenge] is whether this is possible, and what finance can do in a digital culture. Digital culture is not what the IT can raise, because the IT is not business driven. If you talk about it in relation to market or supply chain, you will get a near-sighted perspective and be limited'.

The results of respondents' views are shown in Figure 3.5. The most significant additional investments were thought to be forthcoming in Cloud computing and Cloud-based software applications. Cyber risk protection is also a significant area. These investments seem to demonstrate a tactical response to the pandemic, with a potential lack of understanding of the potential for other techniques such as predictive and prescriptive analytics, and the use of artificial intelligence. Automation technologies also score lower than might be expected.

FIGURE 3.5: Considering the use of data and technology in the finance function, how have your plans for the use of these areas been changed by the pandemic?



Note – the results in Figures 3.5 to 3.7 show a relative scale based upon the strength of the respondents view that their plans have been changed. A positive score (greater than zero) indicates a level of investment. A negative score would indicate a plan to invest less than before the pandemic.

It might be that finance teams believe that now is not the time to invest, but digitalisation of other parts of the organisation, done with a view to enabling smoother and more rapid customer interactions, must be met with robust finance processes: processes that produce accurate and complete data in real time.

Figure 3.6 summarises the responses to this question by organisational size. Smaller organisations appear to have changed their plans less than larger ones as result of the pandemic. Figure 3.7 provides the analysis by organisational sector. While the respondents indicated there was a relatively high investment in cybersecurity in the financial services sector, overall, the broad pattern of investment was the same across the sectors.

The volume of data will continue to increase in organisations, especially as smart devices (based upon the Internet of Things) increasingly feed performance data back to central functions. The operational model is changing to one of predicting when maintenance should be carried out, for example, and ensuring that resources are deployed in advance of failure, rather than waiting for it to occur and hence potentially losing revenue. This is just one example of the next generation of data, but as finance professionals we need to be able to manage this massive rise in quantity of data and understand its implications for our work.

FIGURE 3.6: Considering the use of data and technology in the finance function, how have your plans for the use of these areas been changed by the pandemic?

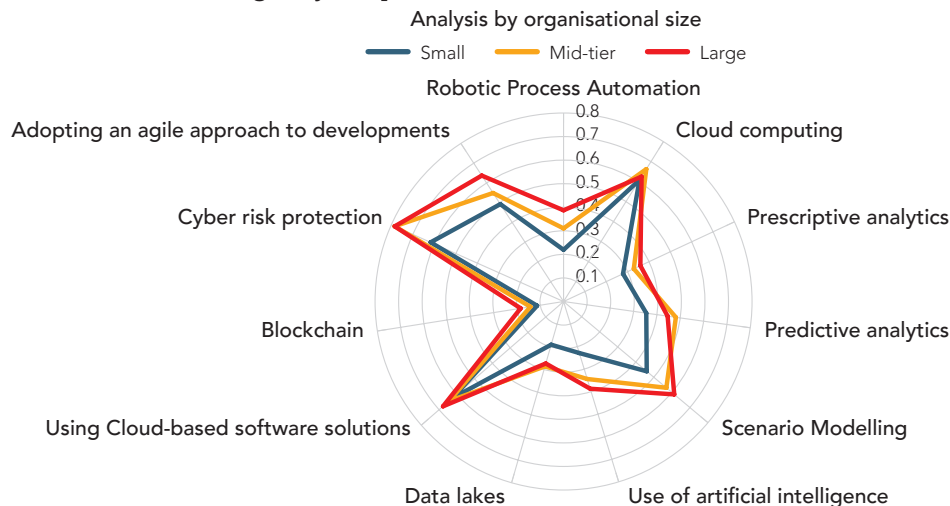
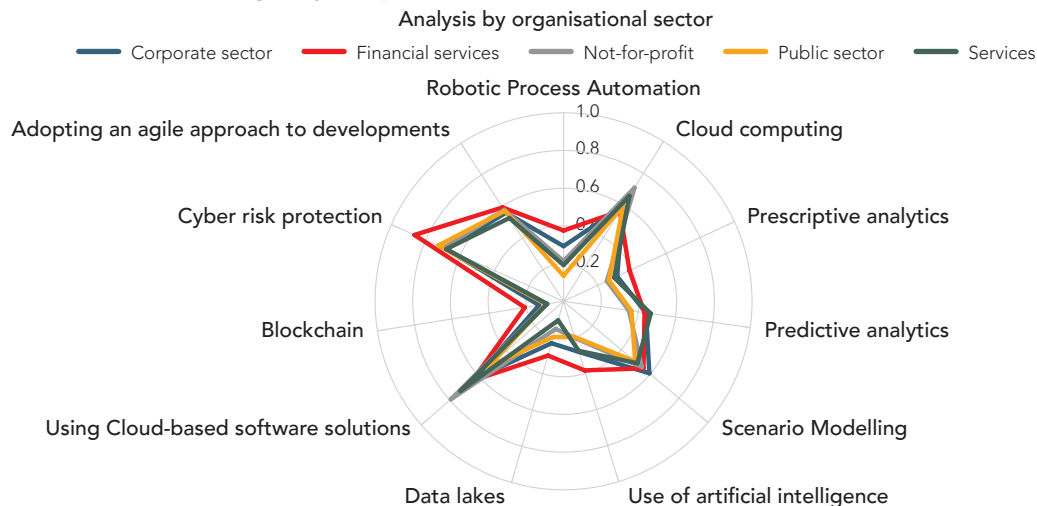


FIGURE 3.7: Considering the use of data and technology in the finance function, how have your plans for the use of these areas been changed by the pandemic?





INSIGHT: Leveraging technology to drive performance in a hybrid working environment



Finance leaders often feel trapped in the dilemma of when and how to make wise technology investments. This is particularly the case when the technology itself is rapidly evolving and the world round us is changing at a faster pace than our business models can adapt to. So, how do leaders make the right investments that help transform their businesses and yet remain flexible enough to new and emerging technologies?

As we try to imagine what the world will look like over the next few years, it is increasingly clear that focusing on returning to 'normal' is unrealistic. Even before the pandemic many organisations were struggling to remain relevant, with the external rate of change outpacing their ability to adapt. Businesses urgently need to build resilience to tackle disruptions as environmental, societal, regulatory, trade and technological drivers collide. COVID has shone a light on the gaps in our organisational capability, but it has also given us the opportunity to act – and we need to act fast.

What has been clear from our work supporting this report is that the finance teams who had successfully adopted new technologies and moved up the digital curve coped best with the challenges they faced. Those who had strong data and analytics capabilities, made use of data visualisation and collaboration tools and who had modern Cloud-based ERP systems were able to adapt better when working became remote and the demands on finance grew.

A growing list of large organisations have fallen by the wayside over the last ten years, let down by business model assumptions which no longer hold true and processes and ways of working that were over-standardised and didn't have the agility to adapt quickly to rapid change. The big winners in the last 18 months are the new generation of 'born digital' businesses. They are customer focused, highly efficient, agile and modular in nature. Their business models may have been built around global technology platforms, but they have proved adept at tuning themselves to their local markets.

The challenge for more established players in competing with this new generation of organisations is typically their

legacy technology – global, customised and expensive. This challenge is perhaps one that has affected the finance function more than others. However, new options are emerging which offer a way to reinvent your ways of working, change the relationship your teams have with technology and, in doing so, close the gap.

At one end of the spectrum, there is the discrete use of digital tools such as automation, data visualisation, collaborative planning and forecasting and productivity measurement. Many 'traditional' organisations that had invested in these have seen a clear demonstration of their resilience and flexibility during the crisis. The added bonus is that they have not had to fully commit to one technology or other at a time when there is a proliferation of new options.

Although many of them can operate on a standalone basis, these emerging options can be seen as enablers of a move to what we refer to as a Hub & Spoke architecture. The spokes are the emerging Cloud platforms – often referred to as 'SaaS' (Solution as a Service) – which are typically focused on specific business functions (such as Salesforce on customer operations or Ariba on procurement). They are 'best of breed' solutions, targeting specific pain points, and are based on 'market standard' processes and data models. And, as they are Cloud based, they offer extremely limited scope for customisation; businesses have no option but to move to standard processes.

Alongside this, there has been dramatic change to the role of the ERP, or 'Hub' which has arguably remained static for a number of years. The new 'Digital ERP' is now a 'thin core' that provides the orchestration between



INSIGHT: Leveraging technology to drive performance in a hybrid working environment



these functionally focused Cloud SaaS solutions. This can offer greater flexibility and responsiveness, as well as provide the capability for real-time insights in a way not previously possible. Fundamental to the Digital ERP is that it too needs to be fit to standard, focusing on business adoption rather than customisations.

There are of course a different set of challenges with this new architecture:

- Organisations must avoid the temptation to see this as a technology upgrade. That would be to miss a massive opportunity to reimagine the business and unlock significant value, whether around simplifying the business or creating the platform for innovation and creativity.
- The Hub & Spoke architecture reintroduces some of the fragmentation that many companies spent years trying to fix by centralising processes into single monolithic ERPs. There are no industry standards available yet to help join up the end-to-end processes and data models across these toolsets and so this job falls to individual organisations.

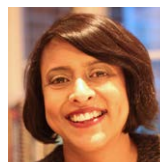
In our experience, finance is the starting point for successful transition. Why? Because finance is the one part of the business that has visibility of every major transaction and is best placed to deliver the orchestration role that is so critical. It's also where there are still significant simplification opportunities.

By taking a modular or 'stepping stone' approach to the transformation the business can deliver in a series of less disruptive phases, rather than through single large programme. With this approach, the first step is often to build a new thin digital ERP layer on top of your legacy ERP systems to address core finance activities such as management and statutory reporting. Thereafter, richer functionality can be brought into the core, whether that is

to enable transactional processing or picking up elements of supply chain or commercial activity. The last 18 months have shown us that the traditional cycle of sourcing and validating data, building reports and presentations and exchanging them via email across the organisation is not fast enough to allow real-time decisions to be made. Adding automation solutions, productivity and collaboration tools to create greater visibility of issues and improve inefficient process cycles and data visualisation and analytics tools to drive new insights can also be steps along your journey.

We cannot predict the future and by the time your transformation is complete, the world, your business and the market might look very different. But regardless of your situation, there are a few things really worth focusing on; the importance of data and strong orchestration; using the show home concept to move at pace with a specific area of the business first, in order to prove the solution; creating excitement, confidence and early momentum; establishing a business case that considers broader benefits, enablers, business value, market standards, and your eco system – not just immediate ROI.

Most important though is that the advent of Cloud SaaS solutions and the Digital ERP is far bigger than technology upgrades or cost savings – it is a game changing opportunity to simplify your business, put real insights into the hands of leaders, drive innovation and competitiveness, and delight your employees and customers. How much longer can you afford to wait?



Isha Chatterjee, Finance Transformation Partner, PwC

One CFO's experience was that the finance function is now working a lot more closely with the IT department. There are a lot of people learning the high-level programming language, Python. There is no need to know how to write the software, but we do need to know how it works and what tools are available to us. So, while the finance function should not become overwhelmed, there is a need to know certain aspects of new technologies so that you can manage compliance and control, as well as providing accurate reports to your stakeholders.

A CFO in the retail industry noted that in her view the finance team 'are not there to churn numbers, I can get a "bot" to do that. What I need is people to go to the shops and understand how they really operate, look at their workflow and what the processes [are] and suggest how we can make these more efficient to ensure that we address our compliance requirements but in ways that do not hamper operations. To do this you need to have business acumen'.

This is not just an opportunity for technology and data, it also represents one for the processes that are supported by these two elements. A CFO from South East Asia commented that they considered that finance 'needs to look at our staff and current processes and what we can digitalise. At present when we look at the balance between compliance and control our regulatory environment is still very paper based. We need to educate our governments that we need to replace these processes'. Another CFO commented that, 'there are countries that are a bit behind in this area'.

A CFO commented that, when we consider the inevitable impact of digitalisation and transformation after the pandemic, the 'dynamic that is transactional efficiency is not just about the obligations of finance. There is a big step that finance is no longer required to support: the lead on transactional efficiency. It has to...focus [more] on business insight and creating value so all the other functions must continuously develop and pursue intensity and efficiency'.

There is a realisation that, for many, there has been a speeding up of technological advances because of the pandemic. One CFO commented that this 'acceleration in technology is something that we can definitely expect to continue in the future. We should anticipate further innovations in automation, for example'. It is important that finance functions focus on maintaining pace with this accelerating evolution, as the risks of a technology deficit will continue to increase and be ever harder to overcome.

A CFO in East Africa commented that: 'there is no doubt that technology is going to be a very critical aspect of our business. But what I also see as very important is that it has to connect with the human capital and the skills that we need to have as a finance team. From what I hear [from others participating in the roundtable]...we are prepared in terms of systems. What we need is people who are self-driven and who are self-directed'.

A CFO from India commented, '[in] another 15 years [the leader] will either be a chief information officer or a CFO. It is easier for a CIO to learn finance'. As we more tightly integrate performance and operating models, the vast increase of data from smart devices, based on the Internet of Things (IoT) technology, will enable the generation of a greater granularity of performance data.

So, what should I do?

- ✓ Align the data model to the business model.
- ✓ Investigate the use of leading technologies to assist in automating and ensuring data quality in the transactional processes.
- ✓ Use prescriptive and predictive analytics to deepen the forward-looking analytics and decision-making support.
- ✓ Consider how transformational approaches such as the digital twin can be applied to the transformation of finance.

3.9 The human capital – finance's new skill set

The human impact of the pandemic is being experienced in many ways. The realities of the infection itself, together with the responses that have sought to control its spread, such as social distancing, restricting contact and movement and the immediate move to working from home for those who are able, have affected us all. The necessary focus on essential services that have sustained us during this time of challenge has, perhaps, made us think differently about our lives and our goals. The ways in which we contribute to society and the challenges that it faces are necessarily foremost in our minds.

The reframing of the human capital agenda is, perhaps, the element of the impact of the pandemic that will take longest to emerge. Some changes will emerge in the years to come as we achieve a longer-lasting stability.

The sense of the 'five year's leap in five months' applies to skills as well as technology, as teams have embraced the need to become more forward looking and analytical. As part of the survey, we asked the respondents what they considered to be their key 'people strategies' for the next year (Figure 3.8). Digital upskilling of the members of the function was seen as the most important short-term strategy (38%) followed by a redesign of roles and career paths (30%). This reinforces the notion that there has been a significant progression in the nature of data and technology throughout the pandemic.

Increasing the use of virtual teams to enhance collaboration was seen as an appropriate strategy by 27% of the respondents. 'No change' was the option of 14%.

An analysis (Figure 3.9) shows some variation by sector. Financial services lead the way in digital upskilling, with 43% of respondents citing this as a strategy that they will look to implement in the next year. This contrasts with the 31% in the not-for-profit sector.

FIGURE 3.8: How will you be adapting your people strategies in the finance function over the next year?

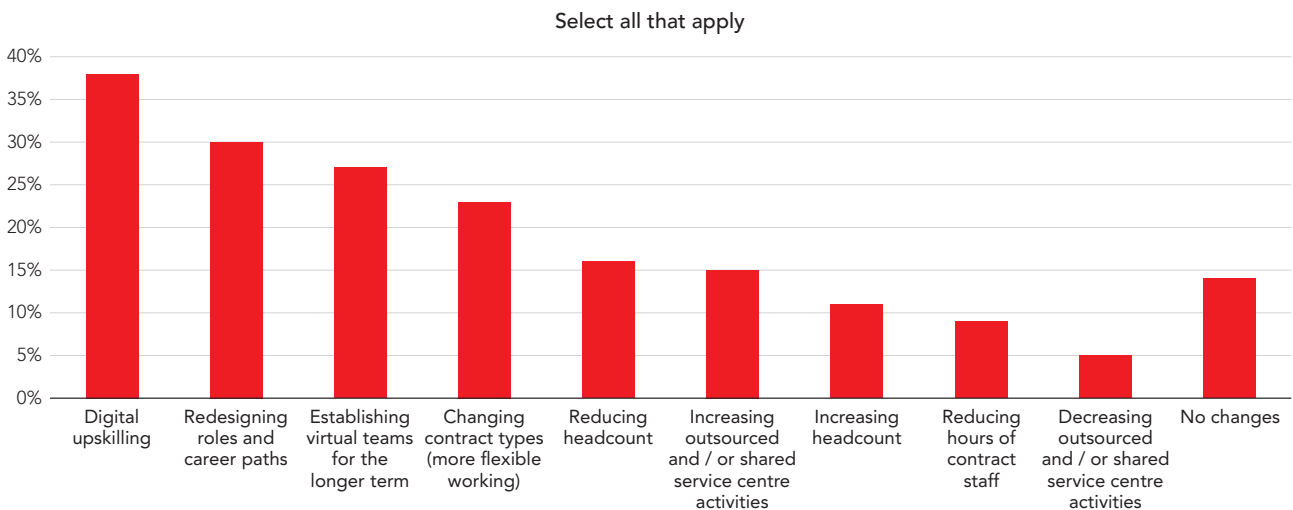
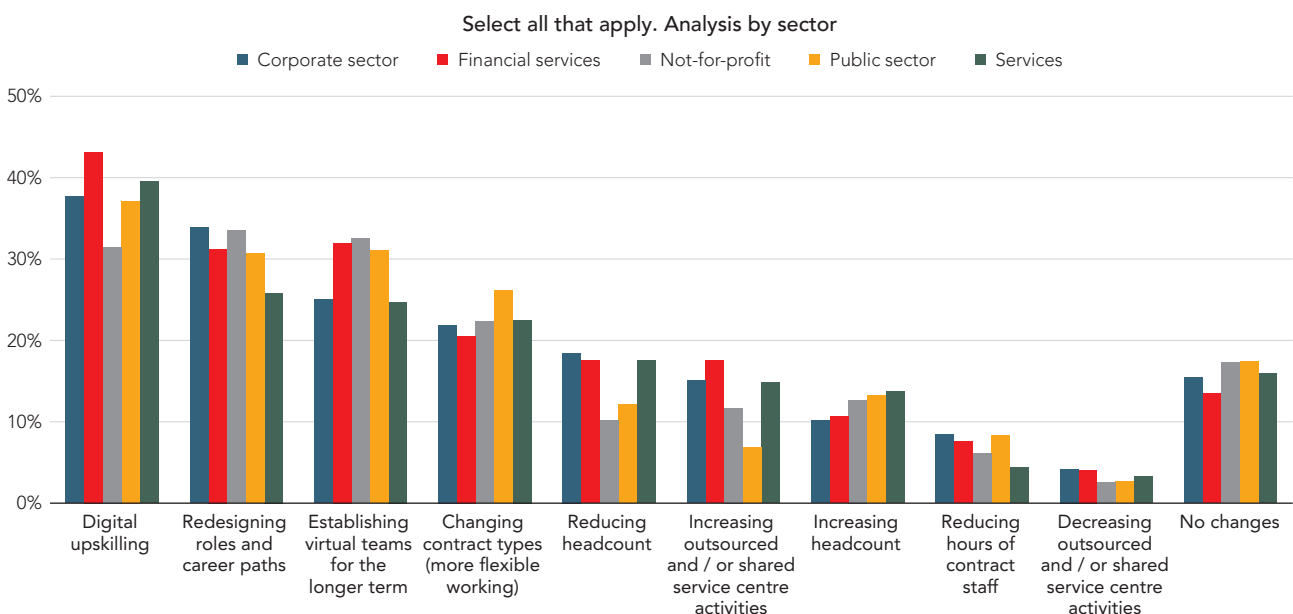


FIGURE 3.9: How will you be adapting your people strategies in the finance function in the next year?



A CFO from mainland China commented that, 'finance is inherently highly consolidated. In some respects, it is not as flexible as the marketing, and often hinders our drive to some extent. This is also where the financial staff should reflect on themselves'.

Career paths have been changing for some time. The traditional ladder approach to careers has ceased to be the cornerstone of the finance function. An increasing call for deeper specialisms has been reinforced through the lessons learnt from the pandemic. Roundtable participants spoke of the challenges in bringing new entrants to the profession when many of the traditional job roles have evolved in ways that now require a deeper level of expertise on entry. A CFO who participated in one roundtable commented that they 'would be more inclined to hire professionally [qualified] staff because they are more open to new technology, more adaptable. They understand the operating model more. [This would be in preference to] experienced transactional processing staff and having to train them up for analytical work'.

Dorie Clark and Tomas Chamorro-Premuzic, writing in the *Harvard Business Review*, suggest that there are three key aspects of the impact that the pandemic has had on the choices that people make in their careers (Clark and Chamorro-Premuzic 2021):

- The manner in which we work – the past year having caused us to reflect upon the best way in which we work and whether, as individuals, we are true remote workers or just workers from home. We need to consider what our social needs are and how these relate to our work and home lives.
- The companies and leaders that we work for – crises often enable good leaders to excel while poor leaders become more noticeable. Many employees will have learnt about how their senior leaders managed in the crisis: was it with respect and did it prioritise short-term considerations over long-term ones, for example?
- Our professional networks – the past year has reinforced the connections and affiliations in the workplace that, as individuals, we can rely on. Greater flexibility in the workplace will be remembered. Those who go out of their way to connect will be valued over those who do not.

Further to this, a South African roundtable participant commented that, 'being a finance professional is a journey. I do not think that you ever reach your destiny.

You need to be constantly changing and adapting. Being a finance professional means that adaptation essential and different skill sets are required'.

A roundtable participant from mainland China commented that, in their recent experience, 'A new type of staff member has taken shape. We call them Marine Corps, a name originally used to describe a special force unit. They are endowed with more than one ability. They may be focused on, and good at, a certain type of ability or may serve in the spearhead. That is, in the process of transformation, there should be a leading force in finance services to deal with the concept [of] empowerment at the beginning, and there also should be a group of professionals with such ability. I think this is the time to discuss a framework for our Marine Corps'.

It is important that, as finance professionals, we recognise that the world of work is changing. Our career paths have probably undergone one of the most significant transformations in our lifetimes, yet we have lived through this without recognising the consequences. The precariousness of the present state causes us to be uncertain, yet the beneficiaries will be those who can adapt and work within the changing parameters.

Organisational design

One roundtable participant commented that 'future finance teams will be much flatter than they are today'.¹¹

A CFO who participated in the Ireland roundtable noted that 'understanding systems and how data flows through systems is, I would say, as important [as] – maybe even more important than – the basic debits and credits that we probably all started with'. Another commented, however, that what the 'pandemic highlighted was the importance of just getting the basics right'.

One of the shifts caused by the pandemic that is being explored is a shift away from an input / output view of productivity into a more value-based system where you focus on the desired outcomes.

A participant in the India roundtable commented that 'there used to be big and small companies. Now there are only fast and slow companies. You have to be fast irrespective of your size. You need to train your workforce; you have to have a human element. But if this is not successful you will be left behind. When business models are changing so fast you need to change with them'.

¹¹ The broader trends in careers in the profession are discussed in ACCA 2020e.

Technical skills on their own are no longer sufficient

Many roundtable participants commented that the ability to influence was now fundamental to the success of the finance professional. A CFO based in India commented, 'influencing is pretty critical. You need to know that you are not going to win all the battles and you can lose sight of the forest for the trees. How you prioritise is extremely critical. It is not about proving and standing on your point of view, it is about how you take the other stakeholders along with you'.

The pandemic had earned finance a place at many top tables, yet if we cannot influence decision makers then that place is wasted.

Influencing is a complex skill. Robert Cialdini's book, *Influence: The Psychology of Persuasion* (Cialdini 1984), explores factors that affect the decisions that people make, particularly in relation to sales and purchasing. He identifies six principles of influence:

- reciprocity – people generally feel obliged to return favours offered to them
- commitment and consistency – people have a general desire to appear consistent in their behaviour and generally also value consistency in others
- social proof – people generally look to other people similar to themselves when making decisions
- liking – people are more likely to agree to offers from people whom they like
- authority – people often react in an automated fashion to commands from authority and even to symbols of authority, even when their instincts suggest the commands should not be followed
- scarcity – people tend to want things as they become less available, hence when information is restricted people want the information more and will hold that information in higher regard.

Business partnering is a key activity

One CFO from Nigeria commented that: 'as a business partner you need to be seen to be supportive of every activity necessary – to create value and not only to be supportive but to take the lead. You will have historic data and that should offer you some advantage so that you can run it and continue to look backwards, look forwards and make projections, look into the market and what the macro-economic conditions say'.

Impact on careers

It has long been recognised the career paths have fundamentally changed in the 21st century. The ladder-based career structures of the past have evolved into lattice careers where expertise is valued, and experiences and continuous learning are key.¹²

An Australian roundtable participant commented that the barriers that 'surround a typical finance career [need to change]. We should all be considering how to make these more permeable for both inwards and outwards career paths. We are going to see a lot more data, analytics and IT skills coming into the finance domain'.

An Indian CFO commented that there is a need to focus on: 'the high potentials. People who can live with the new normal and are more resilient. They are more agile in terms of adoption of new technologies. I think that where we have been weaker [is] in the soft skills – we need to develop these, but we also need to develop future hard skills around the finance ecosystem'. Another commented that he 'encouraged [his team] to reinvent themselves because the degrees and courses that they have done are not going to take them very far. The need of the hour in the corporate world is very different'.

For many roundtable participants, the pandemic has reinforced the need for continuous skill development as a means of maintaining and developing the necessary skills referred to above. Unfortunately, some commentators have challenged the learning environment offered by many organisations. The necessity of using digital delivery platforms for training has challenged many organisations' corporate learning activities. Learning is not a uniform activity; we all learn in different ways, and some will have benefited from remote learning (just as some will have benefited from remote working) while others will find it challenging.

In developing a career, there needs to be a sharp focus on the personal journey and the skills necessary to develop the potential for the next stage. As was noted in *Learning for the Future* (ACCA 2018), it is important to see career steps as learning experiences and focus on the career goal.

One roundtable participant commented that recruiters in the US were reporting a critical shortage of appropriately skilled finance professionals as organisations recognised the importance of these skills in addressing business needs.

¹² These trends are discussed in ACCA 2018 and 2020e.

A recruitment specialist working in this field agreed, commenting that 'This is absolutely true – this was always the case at the senior end where the emotional quotient is way more important than IQ and a lot of people do not realise this. It is becoming more common across the board now. A lot of good people have not lost their jobs in the pandemic and, if anything, they are being more tightly held on to than before. The fact that the Big Four took on a fraction of new trainees between 2008 and 2011/12 compared to previous years has created a huge shortage in accountants at mid to senior level now'. The specialist continued, 'Finance professionals have to be strategic and operational as well as [being] administrators, leaders, peacekeepers and everything else! All while managing their staff, internal and external stakeholders and themselves'.

Finance professionals need to ensure that they have a skill set that covers a range of areas. Figure 3.10 suggests several essential skills for the finance professional. As has been seen throughout this report, in addition to technical and ethical skills, ability to use data and technology is increasingly important. The pandemic has reinforced the importance of innovation and collaboration across functions and project teams. These are skills that cannot afford to be lost across all individuals in the function if the relevant role is not to be diminished. The successful finance professional embraces all these.

So, what should I do?

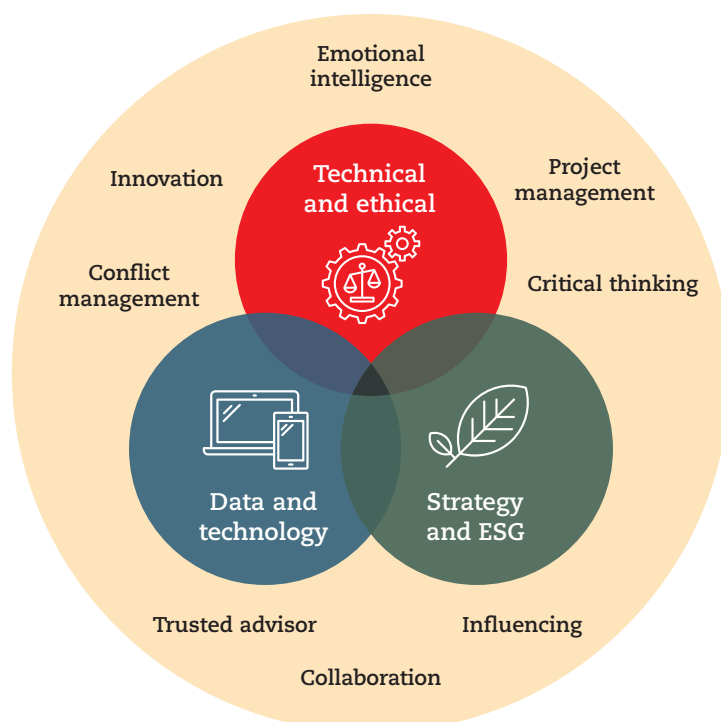
- ✓ Re-evaluate the skill sets and career paths of the finance team.
- ✓ Invest in the appropriate skill sets, both technical and softer skills.
- ✓ Ensure that the team has the skills to address the opportunities offered by natural and human capital.

3.10 Building the new finance function

The new finance function is a more flexible organisation than its predecessors. It is one that has capitalised on the place at the top table that it has rightly earned in the response that it has provided to other stakeholders during the pandemic.

It is an organisation that has insights at its heart. To facilitate this, it needs to ensure that it is operationally efficient in collecting and analysing data. Technology and data are its life blood. It needs processes that facilitate the reporting of information and derivation of analyses and insights in the moment, not just at the period-end. It needs to look forward as well as looking to the past. Past performance can be useful, but it is only part of the story and it is the future story that is going to continue

FIGURE 3.10: Essential skill sets for the finance function professional



to develop dynamically. The potential for the climate emergency to be even more disruptive than the pandemic is real – finance teams need to be prepared for it and to play a full role in driving the agendas of their organisations.

A CFO from Nigeria commented ‘I think that the role of the finance function should be more geared towards advisory’. It is appropriate to continue to challenge the ways that things are done and adjust the balance of our activities.

A South African roundtable participant commented that:

‘It is crucial that we continue to ask the question, because the answer might change as well. If we have the same discussion next year the future will not look as it [does] as we are standing here now. It may look [only] a little different, but one thing is definitely constant – change will happen’.



Conclusion

This is a positive story. Finance functions have been shown to have responded well to the challenges of the pandemic. In many cases their reputations have been enhanced.

'The pandemic made a big difference in...how we were perceived as a function. It became very apparent early on that the two functions that management needed at the table were IT and finance. It is interesting, as we have always been perceived as back-office functions' (Canadian CFO in a professional services firm).

One CFO commented during a roundtable that:

'The pandemic has changed the way of doing business forever. I think that we need to be more stakeholder-focused, whether it is addressing the employees' expectations or the client's expectations. There are corporate challenges [in] address[ing] the climate changes issues'.

There is an opportunity to build an even more relevant function, based on data, insights and collaboration. Finance teams cannot afford to lose sight of this. Above all, if finance teams continue to focus purely on financial measures, when cashflow ceases to be the issue there is a risk that organisations will revert to their pre-pandemic practices. There is a definite need to embrace change and develop skills.

Finance functions have continued to evolve during the pandemic but, for many, the revolution that is needed to ensure that they remain relevant to their organisations is yet to come. Yet for a few, the revolution has started. The challenge is to avoid being the last one to catch up, but rather to be involved in shaping that revolution. The impact of climate change and the human consequences of the pandemic will not wait for us. The opportunity is there to seize and, for finance functions, it is important not to lose it.



THE CHALLENGE IS
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”

Appendix – the survey in context

	STRINGENCY INDEX		WORKPLACE CLOSURES		VACCINATION POLICY		INCOME SUPPORT	
	as at		as at		as at		as at	
UK	82.41	12-Mar	3.00	12-Mar	4.00	12-Mar	2.00	12-Mar
Malaysia	77.31	01-Mar	3.00	01-Mar	2.00	01-Mar	1.00	01-Mar
India	63.43	08-Mar	2.00	08-Mar	3.00	08-Mar	–	08-Mar
Pakistan	50.46	09-Mar	3.00	09-Mar	1.00	09-Mar	1.00	09-Mar
People's Republic of China	61.57	08-Mar	2.00	08-Mar	1.00	08-Mar	1.00	08-Mar
Republic of Ireland	84.26	12-Mar	3.00	12-Mar	2.00	12-Mar	2.00	12-Mar
Nigeria	58.33	08-Mar	1.00	14-Mar	–	14-Mar	–	14-Mar
Mauritius	23.15	08-Mar	–	08-Mar	3.00	08-Mar	1.00	08-Mar
United Arab Emirates	50.00	07-Mar	2.00	07-Mar	3.00	07-Mar	–	07-Mar
Zimbabwe	35.19	08-Mar	1.00	08-Mar	3.00	08-Mar	–	08-Mar
Zambia	36.11	08-Mar	–	08-Mar	–	08-Mar	–	08-Mar
Singapore	50.93	12-Mar	2.00	12-Mar	2.00	12-Mar	2.00	12-Mar
Trinidad & Tobago	64.81	08-Mar	2.00	08-Mar	1.00	08-Mar	1.00	08-Mar
Ghana	44.44	06-Mar	2.00	14-Mar	2.00	14-Mar	–	14-Mar
Canada	75.46	12-Mar	3.00	12-Mar	3.00	12-Mar	2.00	12-Mar
Kenya	50.93	08-Mar	1.00	08-Mar	–	08-Mar	–	08-Mar
Hong Kong SAR of China	71.30	12-Mar	2.00	12-Mar	4.00	12-Mar	1.00	12-Mar
Russia	40.28	08-Mar	1.00	08-Mar	3.00	08-Mar	2.00	08-Mar
Sri Lanka	81.94	07-Mar	3.00	07-Mar	2.00	07-Mar	–	07-Mar
Cyprus	75.00	07-Mar	2.00	07-Mar	3.00	07-Mar	2.00	07-Mar
South Africa	48.15	01-Mar	1.00	01-Mar	1.00	01-Mar	1.00	01-Mar
Botswana	62.04	01-Mar	1.00	01-Mar	–	01-Mar	–	01-Mar
Bangladesh	81.02	09-Mar	3.00	09-Mar	2.00	09-Mar	–	09-Mar
Vietnam	64.81	01-Mar	2.00	01-Mar	–	01-Mar	1.00	01-Mar
Uganda	53.70	03-Mar	2.00	03-Mar	–	22-Feb	–	04-Mar
Saudi Arabia	50.00	21-Feb	–	21-Feb	4.00	21-Feb	2.00	21-Feb

	STRINGENCY INDEX		WORKPLACE CLOSURES		VACCINATION POLICY		INCOME SUPPORT	
		as at		as at		as at		as at
Poland	73.15	12-Mar	2.00	12-Mar	2.00	12-Mar	2.00	12-Mar
USA	64.35	08-Mar	2.00	08-Mar	2.00	08-Mar	2.00	08-Mar
Malawi	40.74	08-Mar	2.00	08-Mar	–	08-Mar	–	08-Mar
Jamaica	74.07	05-Mar	2.00	05-Mar	–	05-Mar	1.00	05-Mar
Ukraine	60.19	08-Mar	2.00	08-Mar	1.00	08-Mar	1.00	08-Mar
Australia	50.46	12-Mar	2.00	12-Mar	2.00	12-Mar	1.00	12-Mar
Nepal	16.67	08-Mar	–	08-Mar	1.00	08-Mar	1.00	08-Mar
Greece	88.89	01-Mar	3.00	01-Mar	3.00	01-Mar	2.00	01-Mar
Oman	63.89	07-Mar	2.00	07-Mar	3.00	07-Mar	–	07-Mar
Malta	67.59	11-Mar	3.00	15-Mar	3.00	15-Mar	2.00	15-Mar
Romania	73.15	08-Mar	2.00	08-Mar	3.00	08-Mar	2.00	08-Mar
Sierra Leone	56.48	01-Mar	2.00	01-Mar	–	01-Mar	–	01-Mar
Guyana	60.19	07-Mar	1.00	07-Mar	1.00	07-Mar	1.00	07-Mar
Czech Republic	69.44	07-Mar	2.00	07-Mar	2.00	07-Mar	2.00	07-Mar
Afghanistan	12.04	01-Mar	–	01-Mar	–	01-Mar	–	01-Mar
Ethiopia	37.96	08-Mar	1.00	08-Mar	–	08-Mar	–	08-Mar
Germany	77.78	13-Mar	2.00	13-Mar	3.00	13-Mar	2.00	13-Mar
Bahrain	55.56	09-Mar	2.00	09-Mar	5.00	09-Mar	2.00	09-Mar
Qatar	65.74	23-Feb	2.00	14-Mar	3.00	14-Mar	2.00	14-Mar
Tanzania	8.33	08-Mar	–	14-Mar	–	14-Mar	–	14-Mar
Barbados	66.67	05-Mar	3.00	09-Mar	3.00	14-Mar	1.00	14-Mar
Egypt	54.63	01-Mar	2.00	01-Mar	1.00	01-Mar	1.00	01-Mar
Gambia	45.37	01-Mar	–	01-Mar	–	01-Mar	–	01-Mar
Cameroon	35.19	08-Mar	1.00	14-Mar	–	14-Mar	–	14-Mar
Kazakhstan	59.26	05-Mar	2.00	14-Mar	1.00	14-Mar	–	14-Mar
Cambodia	59.26	08-Mar	2.00	08-Mar	1.00	08-Mar	1.00	08-Mar
Bulgaria	53.70	07-Mar	2.00	14-Mar	5.00	07-Mar	2.00	14-Mar
New Zealand	22.24	24-Feb	–	24-Feb	–	24-Feb	1.00	24-Feb
Slovakia	71.30	07-Mar	2.00	07-Mar	2.00	07-Mar	2.00	07-Mar
Belarus	27.78	07-Mar	–	07-Mar	1.00	07-Mar	–	07-Mar
Luxembourg	61.11	01-Mar	2.00	01-Mar	3.00	01-Mar	1.00	01-Mar
Iran	80.09	08-Mar	3.00	08-Mar	1.00	08-Mar	1.00	08-Mar
Lesotho	85.19	01-Mar	3.00	01-Mar	–	01-Mar	–	01-Mar
Hungary	72.22	01-Mar	3.00	14-Mar	3.00	14-Mar	1.00	14-Mar
Switzerland	60.18	13-Mar	2.00	13-Mar	2.00	13-Mar	2.00	13-Mar

Source: Max Roser, Hannah Ritchie, Esteban Ortiz-Ospina and Joe Hasell (2020) – ‘Coronavirus Pandemic (COVID-19)’. Published online at OurWorldInData.org.
Retrieved from: <<https://ourworldindata.org/coronavirus>> [Online Resource]

Explanation of data fields

Stringency Index

OxCGRT collects publicly available information on indicators of government response. These indicators take policies such as school closures, travel bans, etc. and record them on an ordinal scale; the remainder are financial indicators such as fiscal or monetary measures.

Workplace closures

- 0 – No measures
- 1 – recommend closing (or work from home)
- 2 – require closing (or work from home) for some sectors or categories of workers
- 3 – require closing (or work from home) all but essential workplaces (eg grocery stores, doctors)

Vaccination policy

- 0 – No availability
- 1 – Availability for ONE of following: key workers/ clinically vulnerable groups / elderly groups
- 2 – Availability for TWO of following: key workers/ clinically vulnerable groups / elderly groups
- 3 – Availability for ALL of following: key workers/ clinically vulnerable groups / elderly groups
- 4 – Availability for all three plus partial additional availability (select broad groups/ages)
- 5 – Universal availability

Income support

- 0 – no income support
- 1 – government is replacing less than 50% of lost salary (or if a flat sum, it is less than 50% median salary)
- 2 – is replacing 50% or more of lost salary (or if a flat sum, it is greater than 50% median salary)



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