

FINANCE EVOLUTION: THRIVING IN THE NEXT DECADE

The world is evolving and is likely to be significantly different from the world that we have been used to. The changes caused by shifting demographics, global economic challenges, sustainability and the impact of climate change and the advance of technology, especially around the use of artificial intelligence (AI) will impact the way that organisations operate and the challenges that they face.

Finance functions cannot ignore these shifts and whilst not existentially threatened, they need to adapt and change. That process needs to start immediately to be ready for 2030 and beyond otherwise there is a threat that the function will become marginalised. In a world of rapid change, being able to predict in an informed manner what the future opportunities exist is essential. Being a pre-emptive, autonomous finance function is essential. Creating trust in the perspectives is essential and this requires trusted data, in a world where trust is increasingly a contentious commodity.

Utilising the insights of over **150** global finance leaders and the **2,300** respondents to a global survey the actions to chart a future can be discerned.

Three key messages from this research for finance teams:

- The finance function needs to focus on the delivery of long-term value creation as well as short-term profit maximisation.
- The role of the function is to create trust in predictive information and pre-emptive decision making within the ecosystem where their organisation and respective stakeholders operate, in a changing world where trust is at a premium.
- A successful function embraces new, agile, skill sets, career paths and capabilities to ensure that it fulfils the broader role required of it by its stakeholders and continuously reinvents itself while maintaining its fundamental values and regulatory functions.

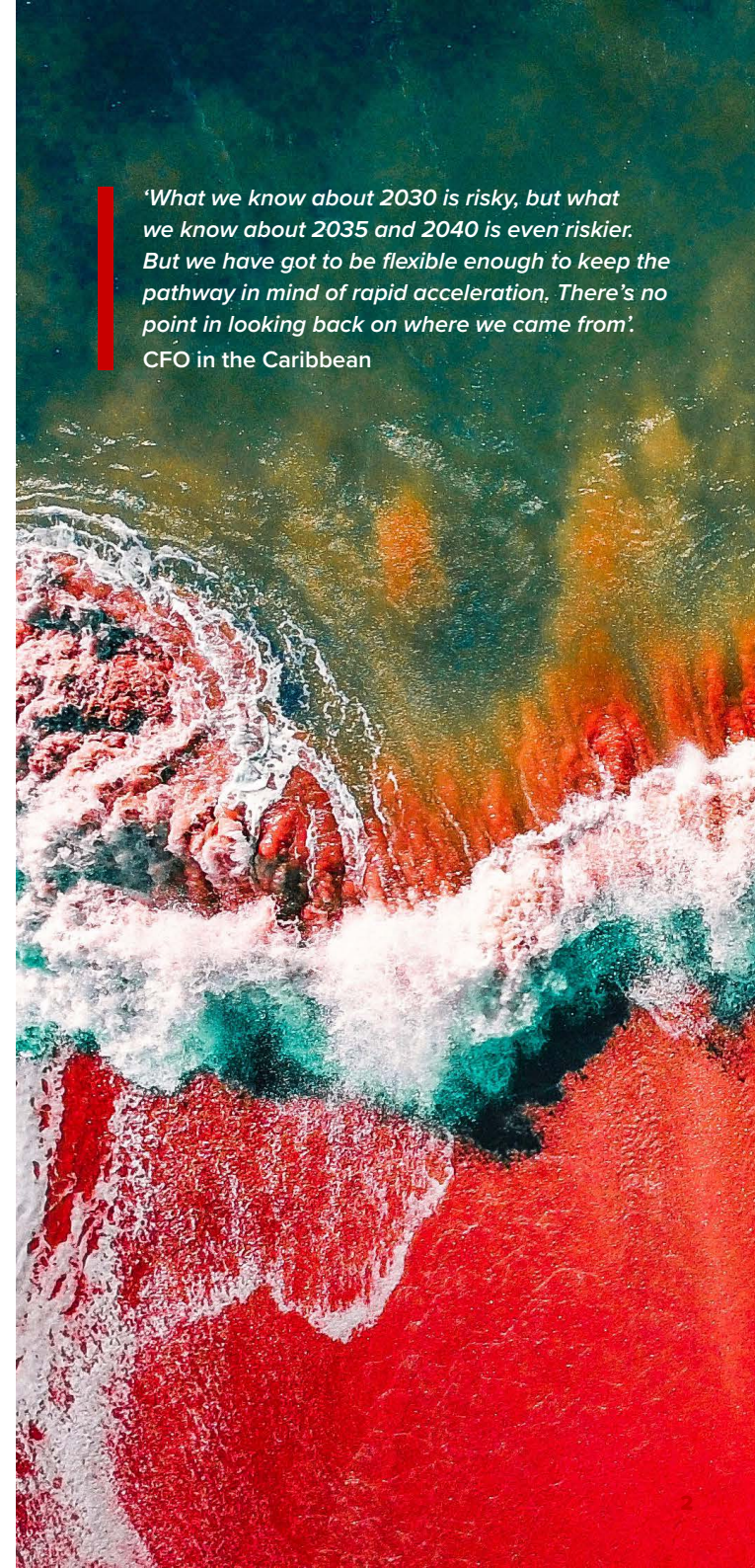
The world in 2030

The way that the world will look in 2030 will be different to that of today. How different, only time will tell. It is important to consider the factors that will shape that future and ensure that the function is relevant for the potential demands of that time. The significant trends are represented in Figure 1.

FIGURE 1: The world in 2030



'What we know about 2030 is risky, but what we know about 2035 and 2040 is even riskier. But we have got to be flexible enough to keep the pathway in mind of rapid acceleration. There's no point in looking back on where we came from.'
CFO in the Caribbean



Drivers for change in finance function

There are several interconnected drivers for change which are shaping the future of the finance function. They can be split into two categories, macro trends which affect all organisations and are generally location level in their implication and transformational trends which are more specific to each organisation in a unique manner. The trends are shown in Figure 2.

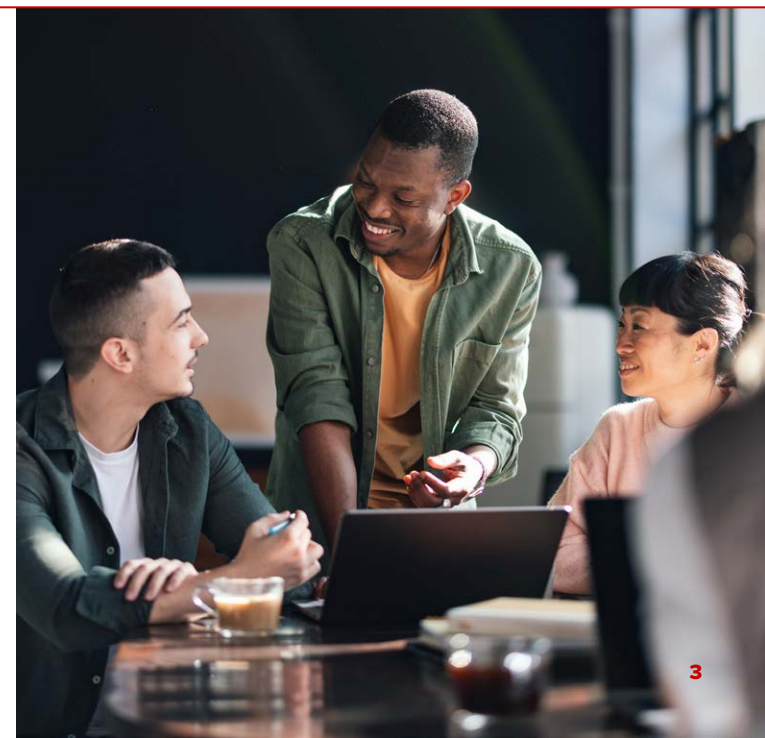
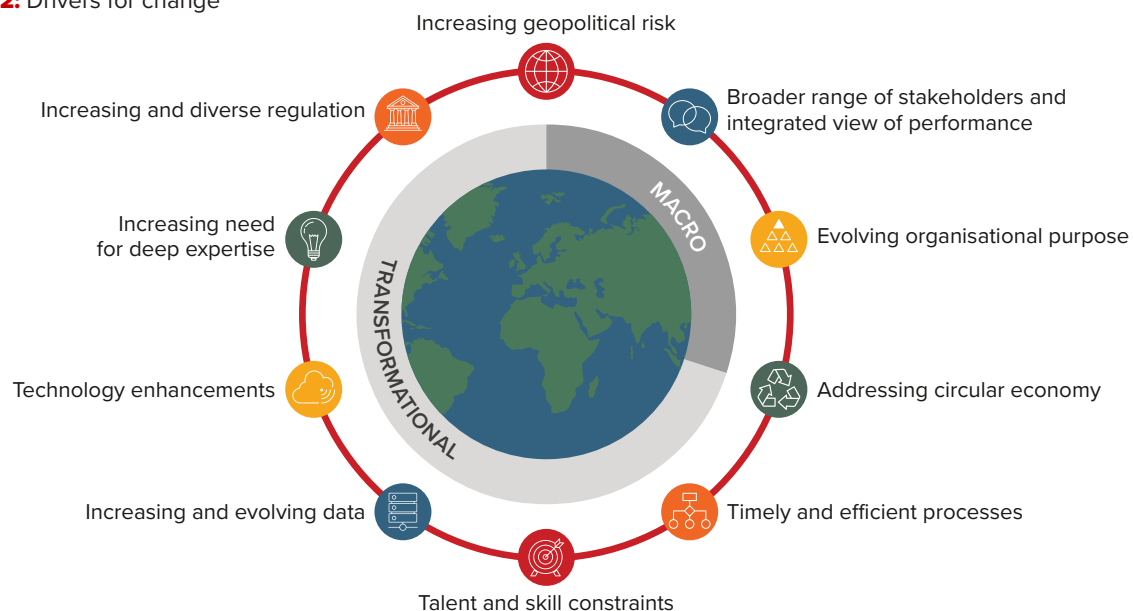
The forward-looking value centric lens through which the finance function needs to support organisational growth is significantly impacted by these drivers. 77% of the survey respondents indicated that they either significantly or moderately included value-based concepts in developing the strategy for the function. Appreciating the impact of these drivers should be a factor in the function's strategy.

The increasing relevance of geopolitical risks on organisations which, for example, impacts trade and sourcing arrangements as organisations adjust to local policies such as nearshoring production. The need to engage a broader range of stakeholders outside of the traditional financial domain as organisations increasingly focus on their contribution to society and the value that they create. The alignment to 'people – profit – planet' reflects the shift in organisational purpose which also includes the circular economy and accounting for reuse as well as consumption.

Within organisations these drivers have several transformational impacts. Processes need to become leaner, especially as for many locations an aging population

constrains the workforce and requires new skills to be developed at an accelerated rate. Utilising the expanding range of data and technology to drive forward-looking insights leads finance functions to embrace the opportunities that AI and machine learning present. The increasing complexity of the operating models requires deeper expertise in areas such as sustainability and taxation – not all of which can be realistically addressed by all finance teams within their capabilities. Utilising finance-as-a-service for specialist areas is increasingly important. An impact of all these drivers is an increase in regulation as governments seek to influence the impact of many of the drivers on their populations.

FIGURE 2: Drivers for change

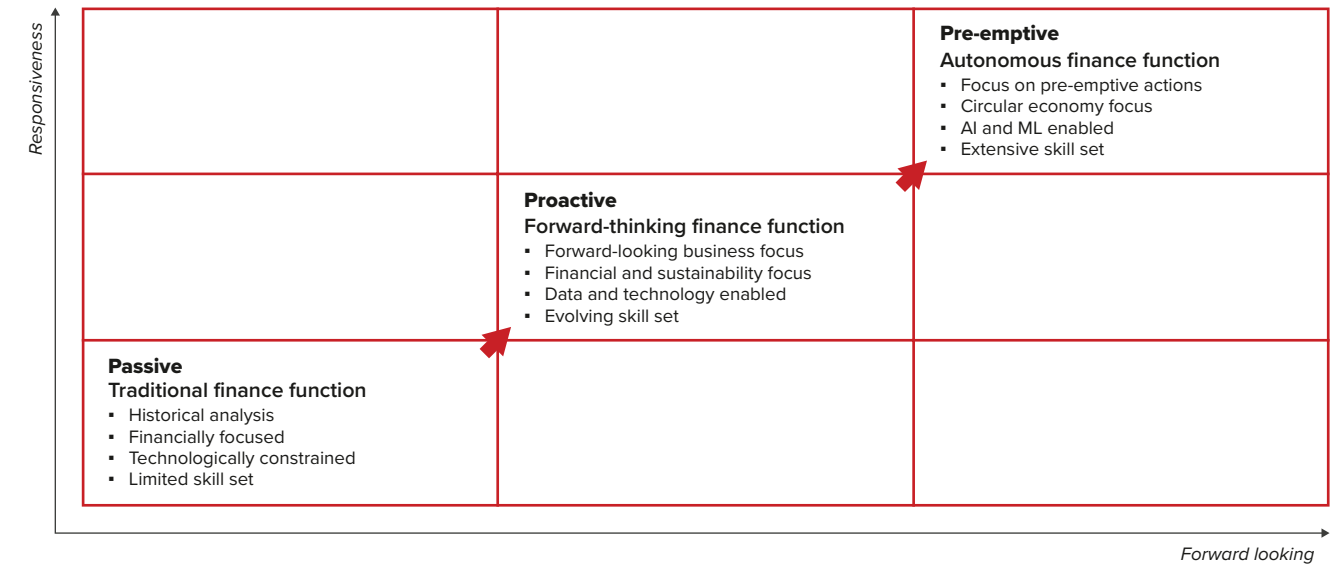


Towards the pre-emptive and autonomous finance function

Whilst these drivers may be complex and intertwined, the opportunity for finance functions is significant. Seizing that opportunity is important and having a strategy that addresses it is essential. As organisations need to progress towards a circular economy so finance functions need to be at the forefront of that reinvention. Figure 3 shows the progression that finance teams should be focused upon. It should be recognised that not all functions will progress at the same rate, but the importance is of being on that journey.

The pre-emptive, autonomous finance function has several distinct domains which it needs to utilise to attain this goal. The autonomous function can only be achieved if the organisation has robust data in place which is appropriately governed and has integrity. This is a fundamental foundational step for the goal of the function and can only be achieved through significant investment in both people and technology.

FIGURE 3: Towards the autonomous finance function

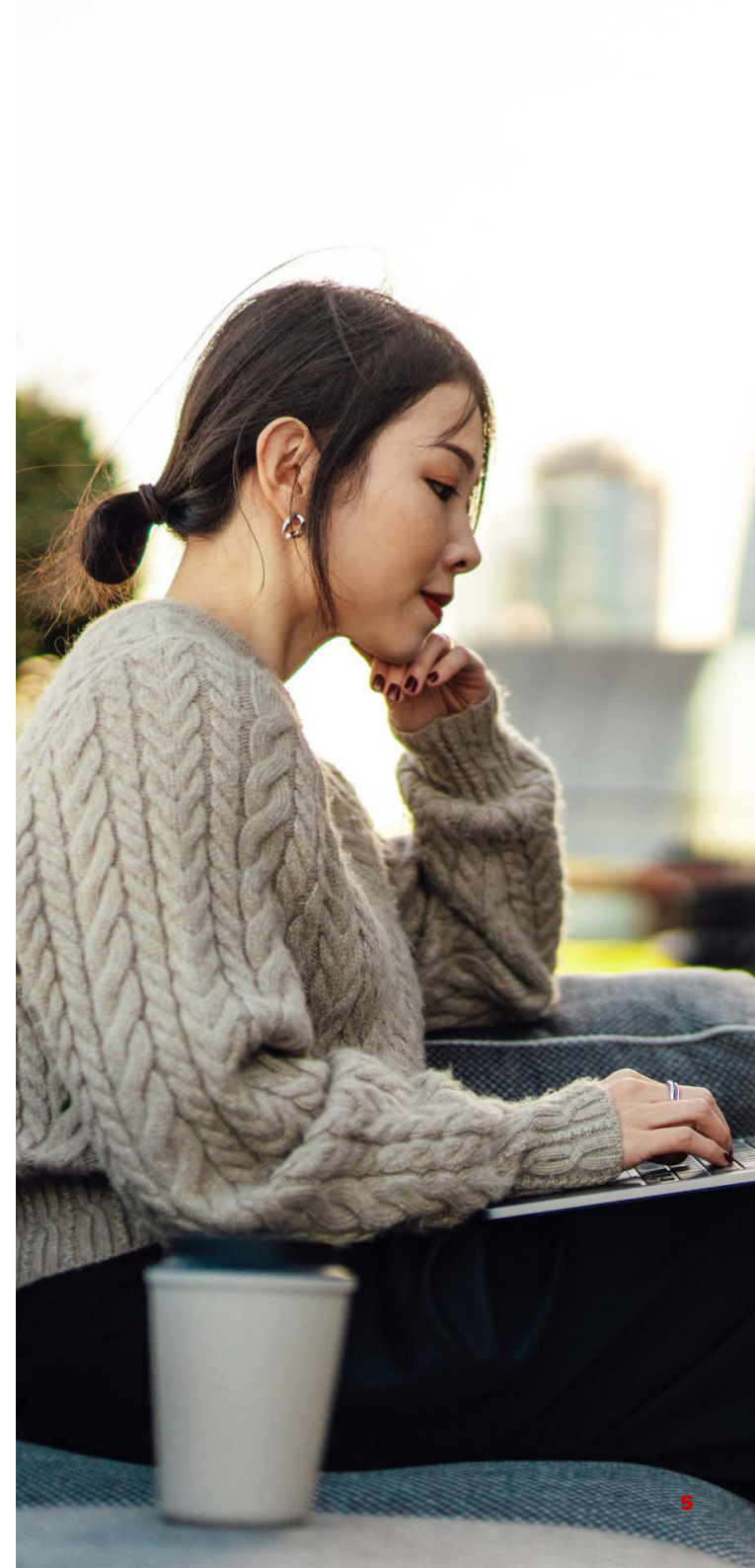
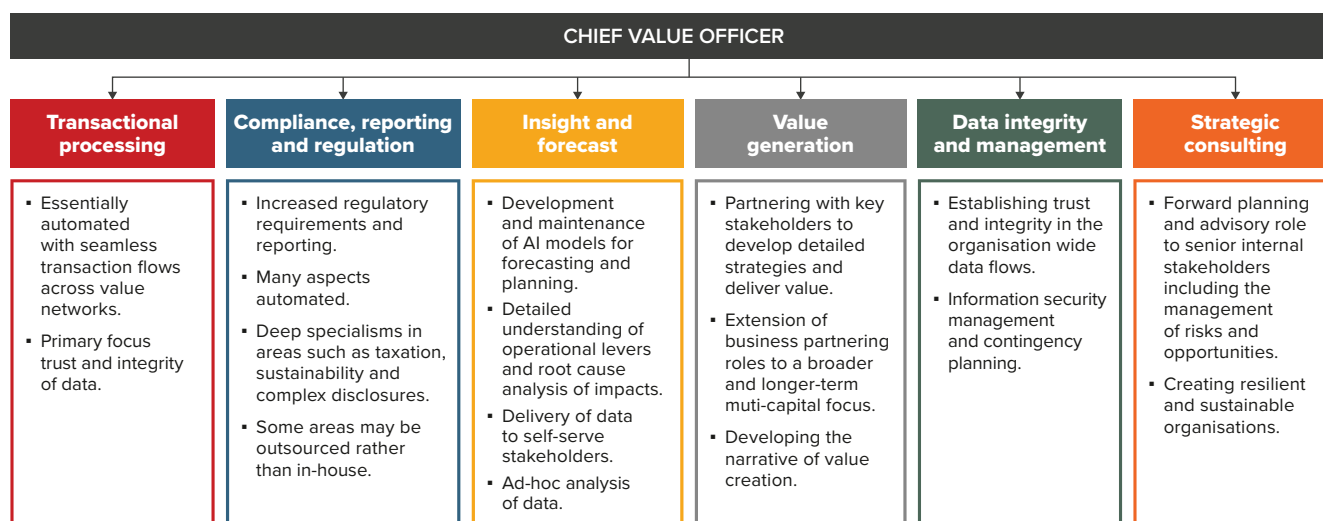


The domains of the future finance function

The structure of any finance function is dependent upon the nature of the organisation which it is an integral part of. However, all functions will continue to share many core capabilities which can be identified as a series of domains (Figure 4).

These domains do not represent an organisational structure, rather they are a series of competencies or capabilities that the finance function needs to discharge in the future. Nor can there be an expectation that each of these domains will be delivered entirely by all functions, rather utilising finance-as-a-service propositions some work can be outsourced to providers with specialist competencies.

FIGURE 4: Domains of the future finance function



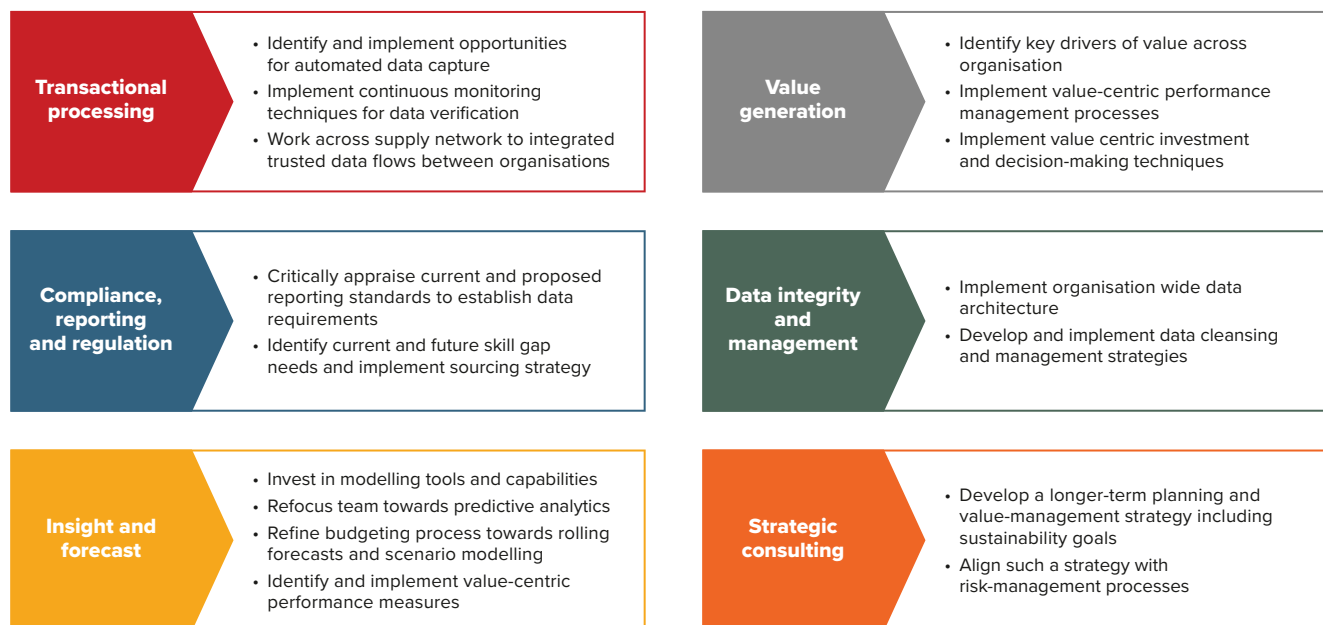
Developing the strategy

The strategic focus for any individual finance function will vary depending on its unique characteristics, however the overall purpose might be summarised as ‘provide data that can be trusted and insights derived from it to, both internal and external, which drives future, pre-emptive action and value-centric performance’. The statement supports the concept of autonomous accounting; the ability to be predictive and pre-emptive in supporting the growth of the organisation. In so doing the function maximises the use of data and technology, including AI and machine learning, to provide relevant forward-looking insights and focuses less on traditional activities such as management accounting. The development of business acumen is an essential part

of this activity as the finance function needs to truly work alongside the outputs of the AI models.

It is essential that finance leaders develop and implement a strategy that will take their function forward towards addressing the expectations of 2030. 66% of the survey respondents indicated that their function either fully or partially had a strategy for the function which looked towards the medium term (the next three to five years). Developing such a strategy is an important step in transforming the function. There are several action steps that finance leaders can consider when considering aligning the future function towards the domains outlined above as explained in Figure 5.

FIGURE 5: Developing the domains of the finance function

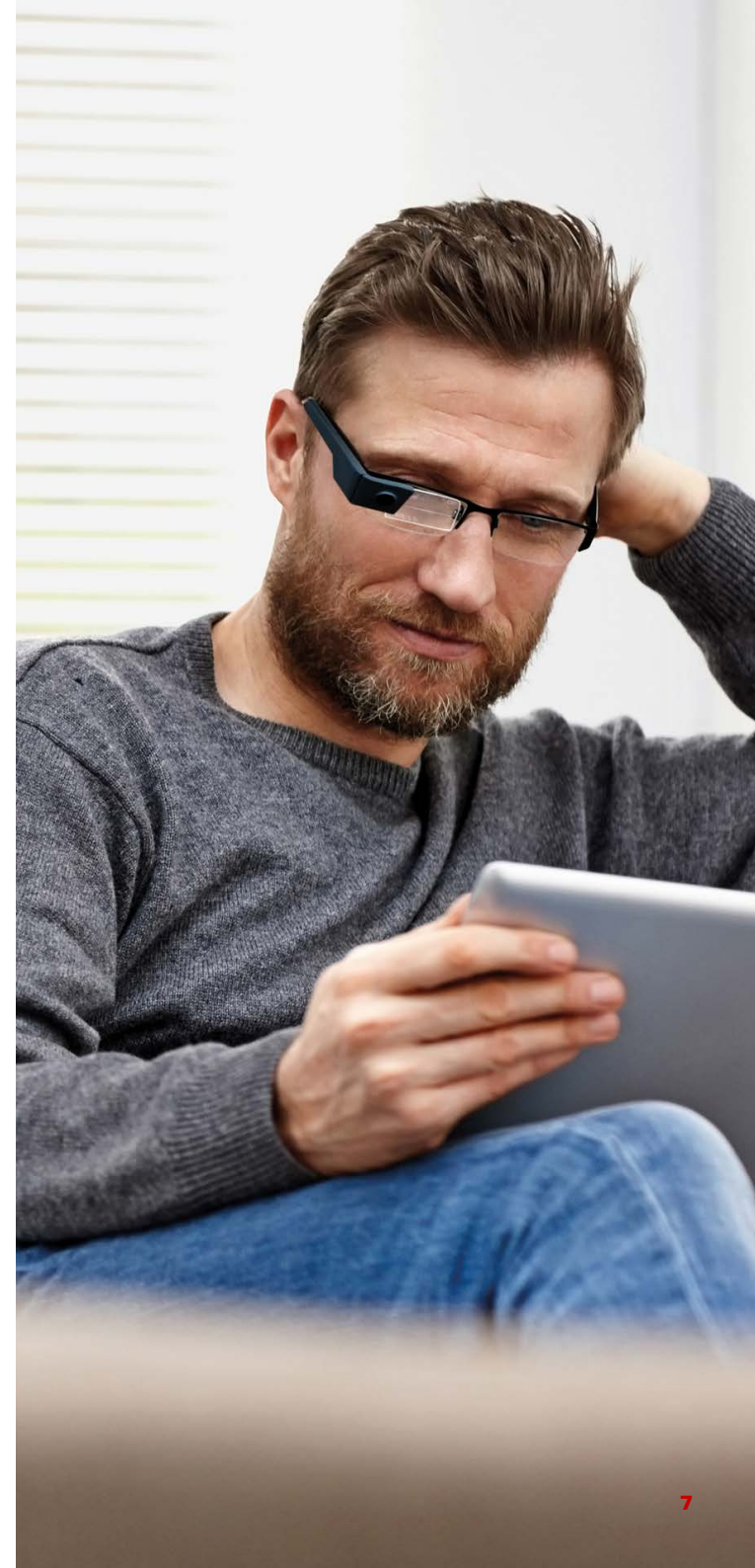
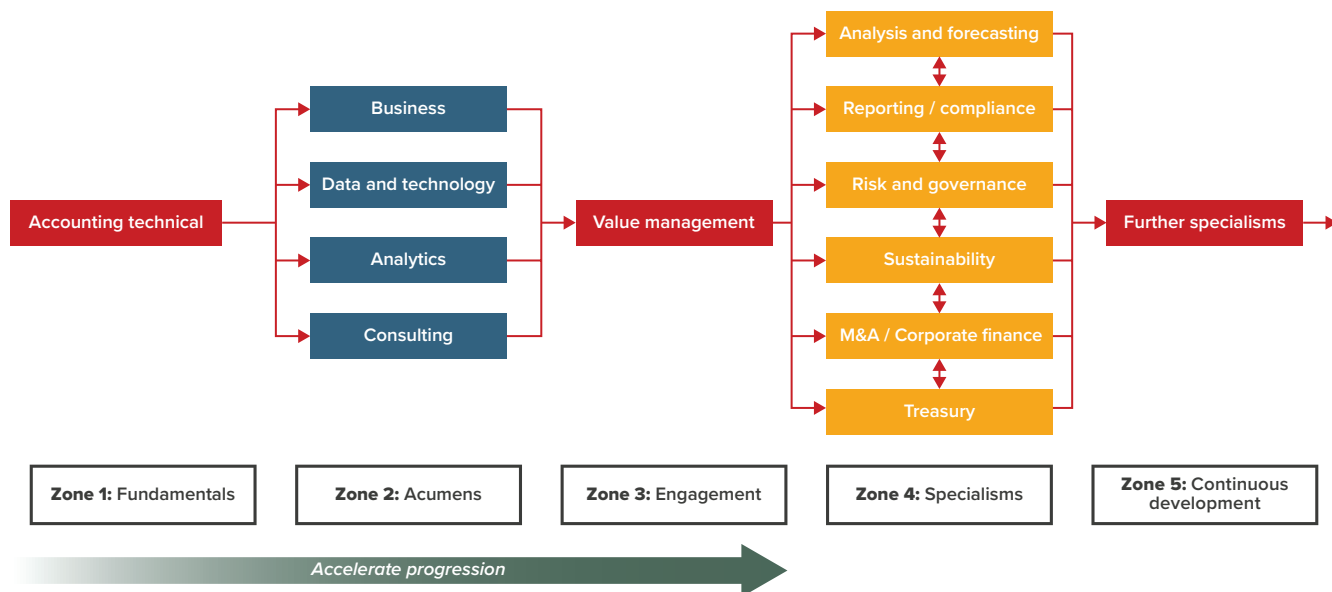


Developing the skills

One of the challenges that the finance function faces in developing its journey towards 2030 is ensuring that it has an appropriate balance of skills within the team. The roundtable participants in many locations discussed current and impending skill shortages as well as the need to accelerate the career path of those working within the function. Gaining deeper and more specialist skills, including business acumen earlier in a career often requires innovative solutions (Figure 6).

The secret of success may well be to bring in complementary skill sets to help address new and emerging requirements. Examples such as including engineers within the function to create capabilities for advanced analytics and forecasting we discussed by the roundtable participants. In contrast, the survey respondents, whilst predicting a shortage of data and analytics skills, showed a reticence in their responses to include new roles in the function such as sustainability controller and algorithm auditor.

FIGURE 6: Future functional development pathway



Conclusion

Whilst not existentially threatened, finance functions need to adapt to be ready for the future requirements of 2030. That future is pre-emptive and autonomous. Developing a strategy that addresses the functional needs and the skills demanded is essential.

