



WORK SOMEWHERE AWESOME!

Kronos Group White Paper Series



The new Golden Age of Finance

Part 3 (04/03/2019)

A new golden age is about to start

The 2 first white papers highlighted the acceleration of changes on our jobs due to new technologies. In this white paper, based on the experience we have for major global companies, client interviews/panel and the brainstorming sessions with our consultants, we intend to share **our views about the future opportunities** it creates **for the Finance function**.

CEO's are more & more demanding

The world is changing faster & faster.

In this **challenging environment**, companies have to **continuously reinvent themselves** to stay ahead of the curve. As a consequence, CEO's and business stakeholders are more & more demanding towards the Finance function. On top of providing accurate financial numbers on a timely manner with the right level of details, Finance professionals are requested to become advisors to the business thanks to their financial insights to broaden the picture and put numbers into perspectives.

Yes, **the role expected from Finance will never be the same again** and will require different skills and a mandatory support from processes and technologies to keep afloat and being able to focus on what matters: **working together with business**

stakeholders to ensure prosperity and sustainability to the company.

Still a high potential in controlling

The Finance function has already started its 3.0 transformation many years ago.

In medium to large organizations, we see today a **difference in the maturity level between accounting and controlling** activities.

On the one hand, **accounting** which is by essence transaction based **has largely benefited from digitization, digitalization and automation**. As a consequence, the number of people in this activity has drastically reduced and data accuracy as well as visibility have been significantly improved. For instance, in Accounts Payable, organizations have implemented leading solutions to dematerialize and automate the booking of invoices (eg: OCR - Optical Character Recognition)

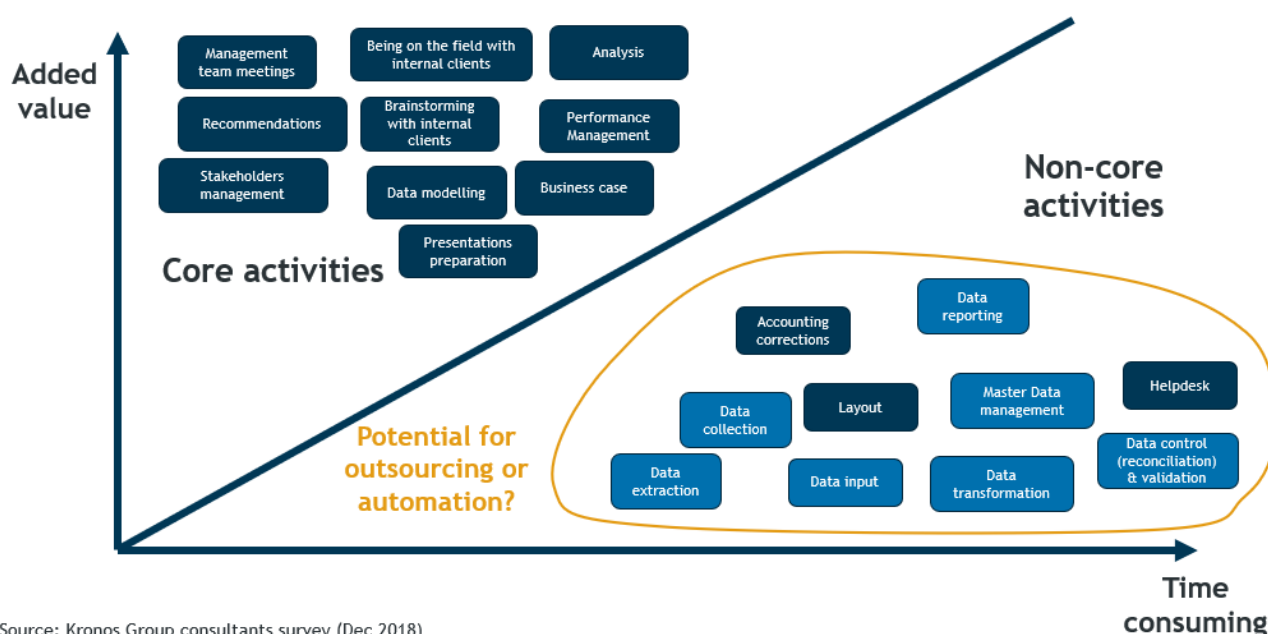
On the other hand, the **controlling** activities have only partially benefited from 3.0.

Digitization and digitalization are well the rule.

However, the function is **still stuck regarding the automation of data management** activities which still represents a high share of the time of a controller: extraction, collection, treatment, reconciliation,

The current state

Non-added value activities remain high in Controlling with a potential for outsourcing and automation



Source: Kronos Group consultants survey (Dec 2018)

reporting, input... These activities are seen by the controllers themselves as very operational, time-consuming and with a relatively low added value. As a result, a **limited time** is available **to perform high added value activities** as: root causes analysis, working directly with & for business stakeholders, brainstorming & developing recommendations, influencing business leaders... This is a **source of frustration** in the community as controllers feel pressured to deliver more value to the business while not having the proper tools or settings to do so. Despite the high investments made the last years in costly systems and tools, the Finance function is still lacking what they need to get rid of the recurring back office activities and to be able to focus on their clients. As a matter of fact, while having implemented leading ERP systems and standard reporting tools, the teams are **still relying heavily on Excel** to perform these tasks **as the data quality and the trust in systems/tools are not sufficient**. Therefore, Excel is likely to remain mandatory in the short to medium term as companies still need to significantly enhance the quality of their (master) data and processes before automating their regular data management processes.

From controlling to finance partnering

Finance is a very special department in a company as one of the few at the centre of the most critical data on top of having a direct link to the strategy and decision-makers. In the future, we strongly believe that the **non-added value activities will be progressively automated to enable a true financial partnership with the business**. For every finance department, it is **key to define the current and the final maturity target in terms of organization, processes and system/tools**. In the end, not every organization needs to be best in class on the 3 dimensions. However, the optimum will depend among others on the size of the organization, its complexity and its level of business challenges. A **step by step evolution** should be preferred in order to ensure a realistic and sustainable transformation. As a result, a clear roadmap will have to be designed on the next 3 to 5 years.

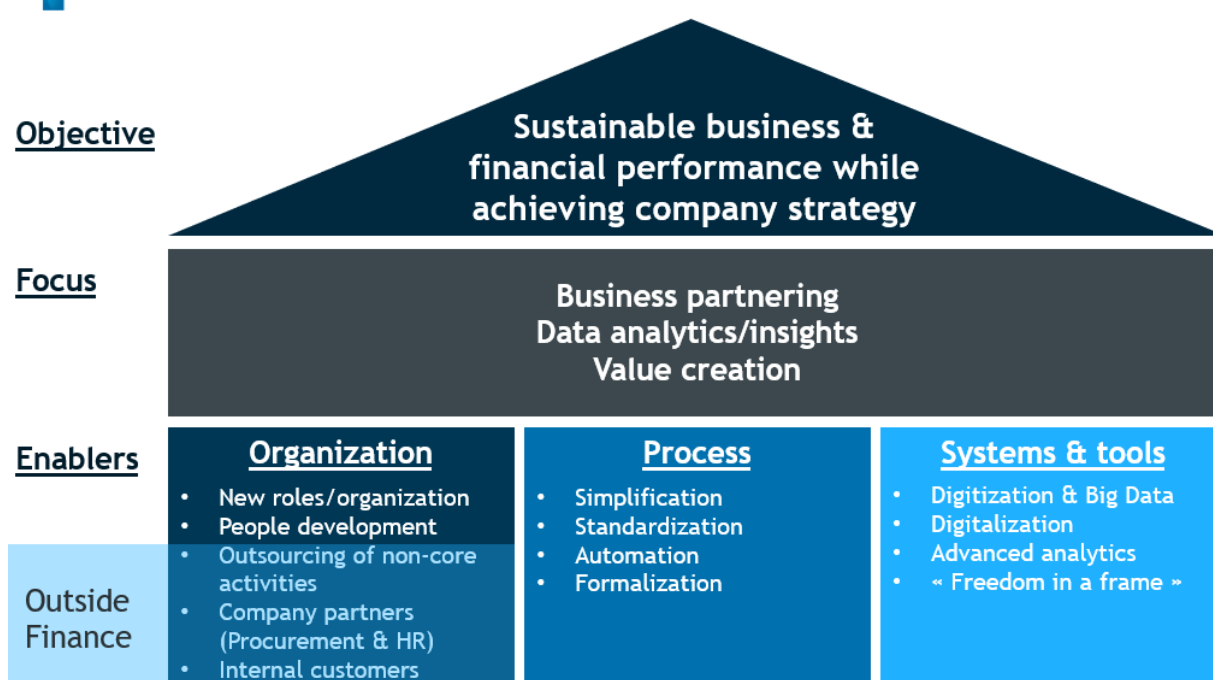
Out of our interviews/panel, it appears that **finance leaders see 2 types of priorities** for the next years:

1/ Scaling up their teams to real finance partnering

From an organization point of view, Finance departments will continue to **decrease their staff in accounting while upscaling the capabilities of the**

Finance 4.0 supports the refocus on core & value creation activities for finance organizations

The Kronos Group Finance 4.0 Framework



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controlling teams. Controllers will have to move away from their reporting comfort zone **to develop exceptional interpersonal skills in order to influence the whole organization.** This will not be easy. Interpersonal skills can be developed but this requires a high investment and another approach with situational trainings, ongoing coaching/feedback... and most importantly a true understanding as well as willingness to build a positive & challenging relationship with the business stakeholders.

Regarding hard skills, mastering Finance will no longer be enough. In the future, finance partners will also have to develop **outstanding skills in IT processes** which will ensure a sound understanding of the systems in order **to feel the data and have the confidence** to recommend based on the facts. In larger organizations, specific roles in IT & processes will continue to emerge in the Finance department to ensure a stronger backbone to the front office activities.

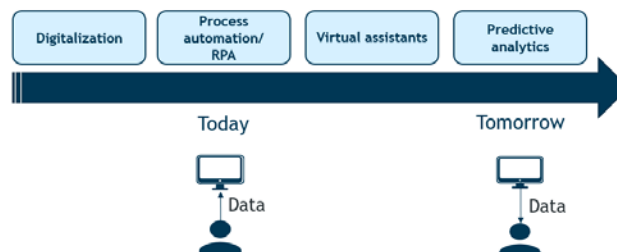
As a consequence, the classical controller will have the necessary skills to move up to the finance partnering level with the ability **to enhance not only the finance performance but also the business performance.** By doing so, Finance Partners will be able **to gain their seat at the leadership & business teams tables** which will ensure their access to the real business discussions way beyond the classical finance performance reviews.

2/ Investing in technologies

Medium to large companies have in general implemented the best ERP's on the market and have extended the functionalities over time trying to simplify their architecture. However, since a couple of years, we see a preference for having the **core functionalities in the classical ERP system** (eg: accounting) **with interfaces to best in class tools for specific business functionalities** (P2P, S2C, HR, Project Management...) This is mainly due to the emergence of niche solutions with a deep expertise in their business scope and at a competitive price. This offers to business users not only the best solution to meet all their requirements but also the best to transform their organization by implementing best practices as well as new ways of working.

It is also key to mention that further developments are foreseen in **AI** which **will allow to reach the next level of automation in accounting** by for instance improving the quality of data treatment beyond the human level of proficiency.

Technologies will impact the Finance function Data is key



Many technologies already transformed Finance but **the Big Data revolution** (& related technologies) is accelerating and will have a huge impact

From a reporting/analytics point of view, many solutions appeared and developed on the market the last years. **New advanced analytics tools** are available and will be implemented **to manage progressively all the recurring reporting.** Data visualisation & analytics capabilities, speed, cloud solution, integration experience and the refresh frequency will be the key selection criteria. In order to move to predictive analytics, data quality associated with new developments in AI will remain critical in order to lead to the right forecasts and future insights. What about Excel in this new world? Our belief is that finance will **need to keep using a very flexible tool in the future and this might still be Excel for quite some time.**

Do you believe in a bright future for the Finance function?

As we have seen, a new golden age is about to start. **New technologies** are available and are **the enabler.** However, a **high investment in people and processes** as well as a clear roadmap based on a sound assessment of the current state **are key to succeed.** **We strongly believe in a bright future for the Finance function. And you?**

A warm thank you to all the contributors to this white paper: CFO's, clients and consultants through interviews, brainstorming sessions, internal research and debates.

Stay tuned for more!



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