



TOP 7 GLOBAL TRENDS IMPACTING THE FINANCE FUNCTION

INTRODUCTION

The Finance operating model is evolving at a faster pace than ever before, supported by fast-growing digitisation. The Next Generation Finance function needs to transform and adapt to provide partnership, speed, quality, flexibility, scalability, and efficiency, as well as still delivering on its more traditional accounting, compliance and control responsibilities. This blog shares top 7 global trends that Chazey believes have profound impact on the future finance function.

- 1. Operating Model**
- 2. Strategy**
- 3. Remote Working**
- 4. Business Process Outsourcing**
- 5. Digital Workforce**
- 6. Intelligent Automation**
- 7. Data**

OPERATING MODEL

Finance is expected to provide excellent process and compliance services, and organisations are realising and demanding the value of the strategic and partnering quadrants as well. The scope and responsibility of Finance is expanding, with digital strategies enabling services to be more integrated and closer to operations, without requiring Finance to distribute its workforce across the organisation. The importance of the internal/external client has increased with a focus on agility, data and control.

Digital strategies and the global pandemic have renewed the focus upon on-shore and near-shore locations.

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Organisations are reducing risk by bringing supply chains closer to home, especially where they cross national borders.

Mature shared service centres are moving up the value chain to provide more professional and technical services, accelerating the development of Centres of Expertise and value-added services, as part of the broader trend to Global Business Services (GBS). Finance is being seen as a strategic enabler of business resilience and a value adding business partner that positions the organisation both for future growth.

True multifunctional centres are maturing and increasing their presence under single executive leadership. Other solutions are multifunctional, where functional shared services are co-located with separate leadership, sharing enabling functions such as performance reporting, project management and account management.

STRATEGY

Strategy is focused on innovation and productivity improvement, enabled by the capture and analysis of data and information. Finance is expected to spend relatively less time, effort and cost on processes and compliance, moving towards insight-driven knowledge and data-based offerings. This is enabling a culture shift, where Finance is less “out-of-sight, out-of-mind” than may have been the experience in the past. That is not to say that processes and compliance are not still critical - they are, but Finance needs to become more efficient and standardised and leverage automation where possible to streamline and improve these more back office and compliance related services, thereby freeing up resources and time to focus on the more value adding Finance activities we have discussed above.

Finance is also moving towards “OneOffice” (The concept was originally from HfS research) where Finance and other supporting functions are more closely aligned to each other and to customers, rather than operating in siloes with their own missions and objectives. This alignment of operations with Finance and other supporting functions creates the digital customer experience and an intelligent single office to enable and support it. To be clear, “OneOffice” does not mean moving back towards generalist roles again – far from it. But what it does mean is that processes are considered and designed fully end-to-end, siloes are removed or limited wherever feasible, functions work closely together to meet enterprise-wide goals and, critically, data is gathered and verified so it can be trusted, shared, analysed and leveraged to support the business. All these requirements are enabled by the latest in digitisation and automation tools and enablers.



REMOTE WORKING

The accelerated move to remote working and reduced travel caused by Covid-19 is likely to outlast shelter-in-place orders, with travel being limited and more expensive in the medium- to long-term. Travel will be less of a commodity, with business class amenities such as more space and fewer crowds being expected. The workforce of the future will need to adapt and be ready for these fast-moving trends and developments, and businesses will need to also move quickly to support their employees to meet these challenges and benefit from the opportunities that also arise.

BUSINESS PROCESS OUTSOURCING

Business process outsourcing (BPO) has to some extent been reversed, and generally Finance organisations are taking a more cautious approach to BPO and even bringing back in-house certain previously outsourced activities. The global pandemic with Covid-19 has additionally highlighted weaknesses and single points of failure in extended supply chains, and has shown how quickly international borders can become impermeable.

New digital technologies have also enabled organisations to significantly reduce labour costs related to routine transactional and administrative services, offsetting much of the cost savings traditionally captured by outsourcing and offshoring. Control and quality of data has also emerged as a key differentiator for organisations, and maintaining and leveraging enterprise data and information can be difficult to manage and control with significant outsourcing relationships, handoffs to third parties, and islands of information.



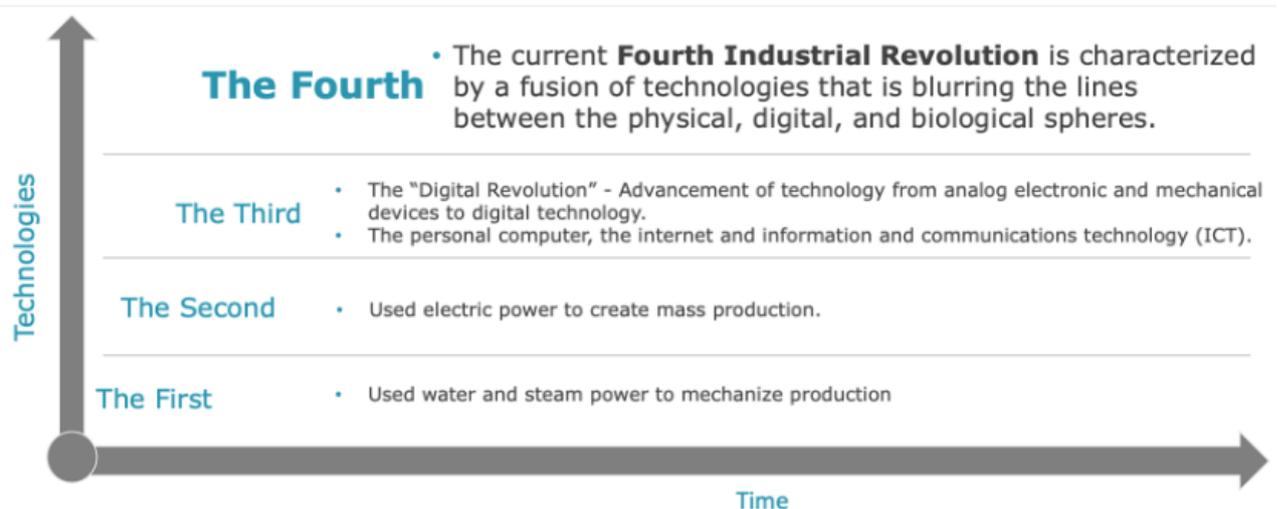
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DIGITAL WORKFORCE

The Fourth Industrial Revolution that we are experiencing today is characterised by emerging technology breakthroughs in a number of fields, including robotics, artificial intelligence, blockchain, nanotechnology, quantum computing, biotechnology, the Internet of Things, 3D printing and autonomous vehicles. The four industrial revolutions are shown in Figure below.

Leading practice organisations are now incorporating the digital workforce into their operating models. The digital workforce can act and think as humans do, working with humans to create a hybrid workforce consisting of both digital and human workers.

Some of the challenges to implementing a digital workforce including truly understanding the nature and use of a digital workforce and training humans to work effectively with automation. Finance is generally at a relatively early stage (but moving fast), with the majority of organisations facing the challenges of no ready-access to data and limited resources. Finance leaders are anxious not to miss this next generation innovation, and the adoption of robotic process automation (RPA), for example, is now quite dramatic. In addition, the global pandemic has emphasised the benefit of business continuity and a digital workforce that is active 24/7 and does not “get sick”.



INTELLIGENT AUTOMATION

Intelligent automation (IA) needs to be considered in the Next Generation Finance operating model. Artificial Intelligence-induced dynamic pricing is already used by Amazon, Booking.com, and leading airlines. Blockchain based cryptocurrency and fiat trading interfaces provide a direct impact to financial position and risks. Internet-based banking drives efficient foreign exchange hedging while minimizing transaction fees. Other examples of IA in use include payment gateway interfaces (data generation, customer behaviours, and product-market profitability), data management, “Big Data” analysis (pricing, product profitability, new growth, dynamic financial modelling, platform and digital channel monetisation), E-commerce financials, and augmented (virtual reality) financial modelling.



DATA

Sixty billion messages get produced every day. Clients will have multi-petabyte data about their customers generated every month. These data points need to be captured, collated and curated for a business. A significant amount of information will be related to pricing, financials, costs and economics, and this information will have direct impact on the strategy and tactics of the internal/external client of Finance, redefining competition. There is now, more than ever, a more pronounced need and demand for better quality data insights, increasingly globalised and consistent support structures, lower cost of delivery, and more holistic, enterprise-wide decision support.

Finance needs to get skilled and aligned to extract meaningful and strategic information from millions of individual data points and thus, will need a data mining capacity, data organisation and data leadership. Finance needs to provide an integrated, value-adding service, that demonstrates deep process understanding, quality of talent, cross-business relationships, project management, and continuous process improvement.

SUMMARY

"Navigating post-pandemic and pathfinding for future new norm, it will be rare that an organisation does not have some sort of finance transformation initiatives underway, whether it be department wide transformation, or just engaging a new technology. Be the finance team that leads the way - start a comprehensive assessment of the current state and readiness of your Finance function today!"

Emer O'Kelly
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