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SVP, F&A SOLUTIONS
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FROM 'CONTROL AGENT' TO 'VALUE GENERATOR': NEXT GENERATION FINANCE



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When PepsiCo announced¹ that its Chief Financial Officer (CFO) would take the responsibility of the Chief Information Officer (CIO), it was not an isolated instance. It is a sign of changing times in which the finance function is transforming to a value generation unit, driving key decisions.

According to a survey conducted by McKinsey,² a majority of CFOs are now responsible for risk, regulatory compliance, mergers and acquisitions, and even IT, cybersecurity and digitization. A sharing economy, the emergence of a 'digital' culture, and new and

disruptive technologies such as Robotic Process Automation (RPA) and Artificial Intelligence (AI) are compelling CFOs to look at what's in store for the finance function as organizations evolve and business models change.

Complexities arising from the regulatory environment in the form of controllership challenges, repatriation of funds from new geographies invested into and environmental regulations are further changing the status quo of finance. A Thomson Reuters³ study found that companies expect the compliance cost to

increase even as the finance function is spending significant amount of time tracking and analyzing regulatory changes.

The sharing economy has brought its own set of challenges for the finance function, not limited to just taxation. Global operating models, sourcing structures, economies of co-creation and co-deliver with different go-to-market alternatives coupled with the information overload from multiple sources is making finance functions re-think their operations and strategies.

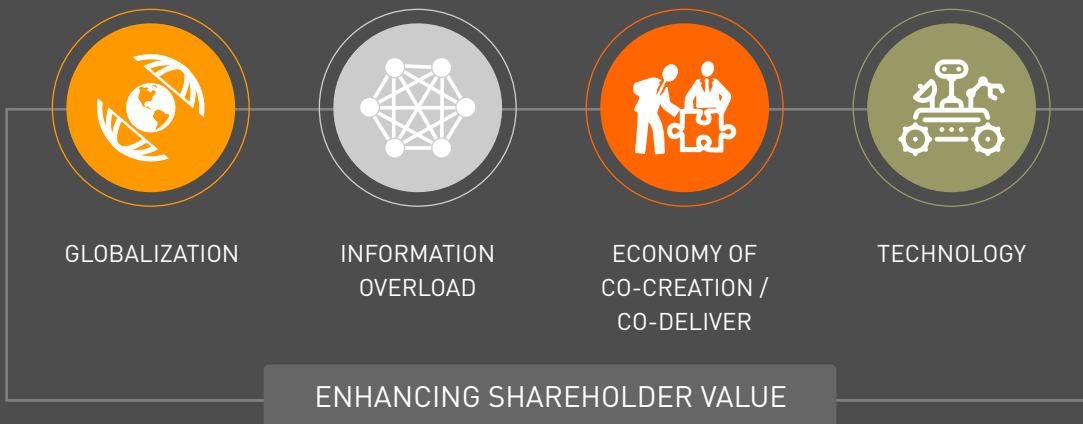


¹ <https://blogs.wsj.com/cfo/2015/07/08/pepsi-cfo-takes-on-it-role/>

² <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/are-todays-cfos-ready-for-tomorrows-demands-on-finance>

³ <https://blogs.thomsonreuters.com/financial-risk/risk-management-compliance/cost-of-compliance-report-2017-is-there-a-new-risk-approach/>

NEXT GENERATION FINANCE



Evolution & Expectations

In his *New York Times* best seller, *The Zero Marginal Cost Society*, Jeremy Rifkin argues⁴ that in the technology-driven sharing economy the marginal cost of producing goods will fall to nothing, making everything free. But whether Rifkin's prediction comes true or not, the real challenge at hand for businesses is in maintaining profitability in the new economy. In such an ecosystem, organizations will bank more on the finance function to play a pivotal role. Hence, CFOs will need a helping hand from technology to manage processes and expectations.

CFOs will experience a shift in the role of their workforce as finance teams evolve through three levels of technology enablement and move away from transactional activities to offer strategic support.

Level 1 is the adoption of Enterprise Resource Planning (ERP) systems and tools in which finance teams focus on transaction-based activities such as data entry, manual reporting, audits and controls.

Level 2 is where RPA and digital technologies play a bigger role

in transactional activities, and enhance controls and compliance. Finance teams will deal only with exceptions and cases with high complexity that technology cannot handle.

Level 3 will see the prevalence of AI technologies such as speech recognition and language naturalization. Technology will take over all transactional activities. Finance resources will move toward decision-making, and support strategic planning and risk management activities.

⁴ <https://www.ft.com/content/7713c7fc-b07a-11e3-8efc-00144feab7de>



Technology & Transformation

Finance will not only need to transform its own function using technology, but play a strategic role in the digital transformation of the entire organization as well. This will require significant investments in specific areas such as IT. The finance function will need to partner with other business functions to enable the transformation.

Future finance leaders will have to move away from rigid processes,

and take on a more dynamic role in which they will engage with multiple stakeholders to create a flexible, interactive and adaptive environment.⁵

Key stakeholders' expectations from CFOs will also create a shift in which the finance function will:

- Drive business insights and risk mitigation by leveraging technology, data and analytics
- Adapt to new business models and dynamic workforce composition
- Drive strategic planning by allocating more time to partnering with other business functions
- Improve performance by remaining ahead of the innovation curve through continuous digital enablement and higher levels of automation



⁵ https://www.pwc.in/assets/pdfs/consulting/finance_effectiveness/finance-function-of-the-future-pwc-publication-june-13-v2.pdf



Effective & Efficient

The outcomes of these aspects will transform next generation finance into a value generating function along four lines — effectiveness, customer experience, visibility and efficiency. Effectiveness will reflect in the way of a more agile workforce with all stakeholders having access to the right information at the right time.

Customer experience will be enhanced due to shorter process cycles, while improved controllership will enable better decision-making to deliver improved performance. Efficiency will be driven by

superior automation, lower costs and higher accuracy.

A transformed finance function will also impact the four components of a shared services organization — operating model, technology, process and talent. Operating models will be influenced as a result of consolidation and global sourcing.


Technology will rely on integrated digital ecosystems — the result of scalable and flexible platforms with end-to-end coverage. This will enable companies to not only extract the right data to glean

powerful analytical insights, but generate real-time, predictive reports as well.

Robotics and AI-driven solutions will ensure error-free processes. The scope of services will move to higher-end, complex operations. This will create the opportunity for upskilling talent with a larger requirement for data interpretation.

Overall, next generation finance will no longer be just a function which exerts control. It will be a function that creates value, and strengthens organizations from within to make them more resilient.





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