

The digitalisation of finance

How the government and technology trends
are transforming the finance function

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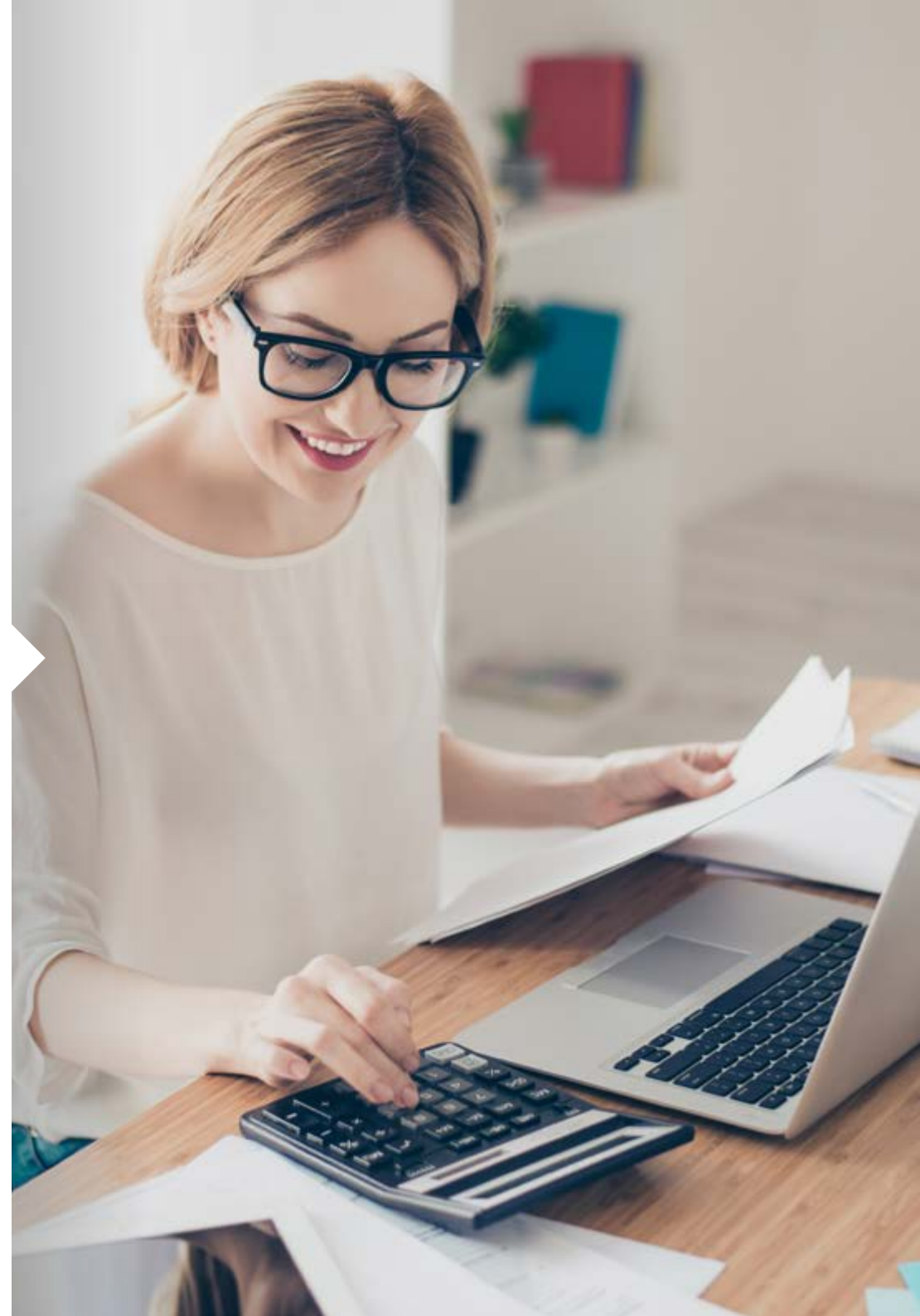
A changing world

While the changing role of the finance function is not a new phenomenon, the pace of change and expectations on senior finance professionals are increasing exponentially. 20 years ago, finance fulfilled tasks that were viewed as meeting legislative requirements (the filing of accounts and tax) or collecting and paying invoices. The finance function now has a responsibility to help their organisation in meeting its commercial goals, supporting through data analysis, forecasting and business partnering. Senior finance chiefs have seen their responsibilities expand into IT, risk management and pensions.

The drive to digitise processes and automate tasks continues unabated. The government pushes this agenda through ongoing departmental efficiency drives and building momentum through Making Tax Digital. Brexit has increased uncertainty, with Chief Financial Officers tasked with steering their organisation through both commercial and taxation / customs risks - and perhaps even turning them into opportunities. Deloitte's most recent CFO Survey¹ finds risk appetite among finance chiefs at its lowest since 2008, with 83 per cent concerned about the economic impact of Brexit. And although finance's role and relevance has increased, it has faced its own efficiency drives. In other words, do more with less.

As customers demand more from their product and service providers, Generation 'Z' enters the workforce and new technologies abound in the corporate space, what are the innovations and new ways of working that will keep finance relevant and at the heart of business's success?

¹ <https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html>



A changing digital agenda

There is a huge drive to ease tax complexity in the UK. However, despite the Office of Tax Simplification's efforts, UK citizens and business have faced five of the longest Finance Acts ever in this decade, some at more than 600 pages long. The impact of tax 'churn' on the finance function is compounded by a raft of other legislative changes that have weighed heavily on maintaining compliance. Digitally-focused legislation has included auto-enrolment, PAYE real-time information and Making Tax Digital for VAT. These rules have directly affected the way in which a finance function processes payroll, pensions and invoicing / supply chain data.

CFOs therefore rely heavily on technology vendors to anticipate and interpret these new rules, and deliver solutions from a technology perspective. These vendors have a big role to play in helping to ensure finance functions are both compliant, and then look to leverage improved processes and data collection to create value. There is still much work to be done. A 2019 Federation of Small Businesses survey² found more than a third (37 per cent) still use paper invoices, while 29 per cent use paper receipts and bank statements to track their finances.

²<https://www.fsb.org.uk/media-centre/press-releases/small-firms-set-to-be-landed-with-average-bill-of-564-for-making-tax-digital-software>





AI – threat or liberator?

In such an uncertain world, political and economic pressures sit alongside market analysis and operational efficiency in a CFO's remit. But can anything be done to make sure finance can maintain - and enhance - its role as critical business partner, while helping the organisation stay compliant with regulation - and solvent? There is much talk about the potential of artificial intelligence (AI), is this the answer?

A recurring theme associated with both automation and AI is that it results in job losses, a particular area of sensitivity for finance functions that have been regularly squeezed from a staffing perspective. Studies suggest that low-level tasks will be subsumed by AI, between 10 per cent and 30 per cent of roles in the UK in the coming decades, according to a policy paper by The Royal Society³. However, leaner finance functions have outsourced, centralised and offshored in recent times. It's feasible that AI will provide organisations with an opportunity to bring tasks back in-house.

Understanding what can, and can't, be automated is therefore vital. A report by McKinsey found that accounting operations, cash disbursement and revenue management are strong contenders for automation. Financial planning, tax and treasury functions were less able to be automated. The report cites a company that has leveraged automation. It uses internal and external information to audit expense reports. An algorithm cross-checks against travel and personnel data to identify potentially fraudulent activity.

But can AI 'help' the finance function achieve more? Or will it simply make the function more efficient, and aid it in protecting against profligacy and fraud? Another organisation cited in the report tasked four data experts to build an algorithm that would funnel multiple streams of information to help time-constrained managers produce production and sales forecasts – allowing the managers to get on with their 'day job'.

³ <https://royalsociety.org/-/media/policy/projects/ai-and-work/frontier-review-the-impact-of-ai-on-work.pdf>



'60 per cent of UK business professionals are seeing Cloud services supporting their work. Cloud adoption, and the use of AI and business intelligence, was flagged by a third of respondents as areas they'd like to see impact their daily working life.'

Advanced Trends Survey 2018-2019



Cloud technology

Discussion of the pros and cons of 'the Cloud' might seem old hat. However, it's worth focusing on how Cloud services can benefit the finance function. Leveraging the Cloud is still relatively new in our daily working lives.

Our latest Annual Trends Survey⁴ shows that 60 per cent of UK business professionals are seeing Cloud services supporting their work. Cloud adoption, and the use of AI and business intelligence, was flagged by a third of respondents as areas they'd like to see impact their daily working life.

The benefits of the Cloud for finance are wide-ranging. Firstly, there are various efficiencies that can be achieved⁵. With careful planning, Cloud-based tools can help simplify and improve workflows, particularly where 'working anywhere' or real-time collaboration is required. Subsequently, document management becomes easier as information is stored in one location. Regulatory compliance, which we have already shown is a key driver of change in the finance function, can then be better managed.

Cloud services are generally less expensive than on-premise solutions, certainly in terms of up-front cost, being typically subscription-based. This also enables organisations to scale their use as and when required. Software updates and security are automatically provided by the supplier.

Moving on from compliance and efficiency, there comes the value-added opportunities for senior finance professionals and their team. The Cloud enables real-time access to data on demand, so issues within an organisation can be dealt with more quickly. Some Cloud tools will allow an organisation to aggregate and analyse information beyond their own data, providing a stronger and richer opportunity to gather business intelligence. Because of this, business KPIs become more robust in helping measure performance⁶.

⁴<https://www.oneadvanced.com/trends-report/2018-19/>

⁵<https://www.roberthalf.com/blog/the-future-of-work/more-finance-functions-are-embracing-cloud-technology-heres-why>

⁶[https://www.ey.com/Publication/vwLUAssets/EY-finance-in-the-cloud/\\$FILE/EY-finance-in-the-cloud.pdf](https://www.ey.com/Publication/vwLUAssets/EY-finance-in-the-cloud/$FILE/EY-finance-in-the-cloud.pdf)

Robotics

The term 'robotics' conjures up images of metallic, electronic instruments of amusement or fear. In the business sphere, the more recognised term is robotic process automation (RPA). It is about the automation of tasks through programme or instruction⁷.

A report by the ACCA, Embracing Robotic Automation during the Evolution of Finance, outlines the benefits of freeing up resources from mundane tasks, allowing automation to take the strain.


As we've already touched on, while there are real concerns about roles disappearing, it should be more than countered by the creation of new positions based on analysing information and supporting the business in making beneficial decisions.

There is a great opportunity for employees to move away from repetitive tasks and develop their career and skills. But this cannot be achieved without careful planning. Consideration of the impact on employees from a short and long-term perspective is a vital part of change management.

Successful introduction of RPA will take a similar path of implementation to other tech-based change projects, the report finds. Firstly, running a 'proof of concept' to demonstrate its benefits. Key steps then include: prioritising areas in finance to automate; setting out an implementation roadmap; selecting the right provider and partners; setting out a delivery model and governance plan; building a strategy to drive adoption.

⁷<https://www.accaglobal.com/uk/en/professional-insights/technology/embracing-robotic-automation-during-the-evolution-of-finance.html>





'Risk appetite is at its lowest since 2008 with 83 per cent of finance chiefs concerned about the economic impact of Brexit.'

Deloitte's latest CFO Survey

Predictive Analytics

There is little doubt among finance executives that providing valuable information to the business, and at board level, is critical to the future success of their function. Data science moves accounting's role from reporting the past to setting a direction for future travel, according to an EY/Forbes Insights report. Yet while many are increasingly focusing finance's time on the use of analytics, this can vary by sector and still isn't widespread⁸.

CFOs must set out an analytics strategy, one that places insight at its heart - rather than the creation of simply more 'numbers'. This requires a finance function that can not only analyse data, but communicate outcomes and scenarios to other parts of the business. It requires strong and persuasive leadership.

However, achieving this will mean another evolution for finance. As Deloitte states, it's the difference between 'managing' the business (planning and forecasting) and 'running' the business (business units or sales)⁹. With analytics, a CFO and their team could help answer questions around price points on a particular day, or how to manage inventory levels. While some CFOs might be cautious about such a move, assisting with operational efficiency will improve margins and profits.

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⁸https://www.ey.com/en_gl/digital/how-analytics-can-help-transform-cfos-from-accountants-to-strate
⁹<https://www2.deloitte.com/us/en/pages/finance/articles/cfos-analytics-chief-financial-officer-insights.html>

A photograph of a business meeting. In the foreground, a person's hands are visible, one holding a white pen and the other resting on a laptop keyboard. The laptop screen displays a complex data dashboard with various charts and graphs. In the background, another person's hands are clasped together, and a third person's hand is visible on the right side of the frame, gesturing. The overall scene is dimly lit, with a soft light source from the left creating a warm glow.

'63 per cent of CFOs are more cautious about investing in their home operation in the UK, and 77 per cent more cautious about investing abroad.'

research by American Express

Traits of the digital CFO

Upskilled on technology

By definition, if technology is critical to transforming the finance function to make it robust in dealing with regulatory change while supporting the business to meet its aims, then the CFO must understand technology. For example, EY says that if CFOs fail to grasp the Cloud, then they are increasingly at risk of placing their business at a competitive disadvantage¹⁰.

Anticipates future needs of the business

Eight out of ten CFOs see their role as beyond traditional finance, helping find new value across the organisation, according to an Accenture survey¹¹. There are opportunities to not only improve and broaden the use of data to help divine the future for their organisation, but to make incremental improvements in its operations to increase profitability.

Analytics readiness is still predominantly driven by business unit heads. The CFO must take charge of this area. As Deloitte¹² states, 'given that many CFOs and their Finance teams traditionally have led and used data-driven analytics for strategic aspects of managing the business, a case can be made for ceding ownership of analytics to the finance chief'. 'Moreover, it only makes sense that by taking the lead to apply analytics to operational decisions as well, CFOs can strengthen ties throughout the business and expand influence outside core finance functions.'

¹⁰[https://www.ey.com/Publication/vwLUAssets/EY-finance-in-the-cloud/\\$FILE/EY-finance-in-the-cloud.pdf](https://www.ey.com/Publication/vwLUAssets/EY-finance-in-the-cloud/$FILE/EY-finance-in-the-cloud.pdf)

¹¹<https://www.accenture.com/gb-en/company-news-release-cfo-reimagined-uk>

¹²<https://www2.deloitte.com/us/en/pages/finance/articles/cfos-analytics-chief-financial-officer-insights.html>





Traits of the digital CFO

Drives change across the business

Businesses are looking to the CFO to help improve performance by the take-up of digital technology, this includes automation to help refine business models and open new revenue streams. But CFOs must be aware of the impact upon workflow, processes and people. Strong communication and project management skills are paramount, plus a willingness to understand employee skillsets and help them develop. In undertaking this, the finance function will become entrenched in driving improved business performance.

'As routine tasks are automated, the CFO will create more meaningful and impactful roles for finance professionals, from leading digitalization transformations to developing new ways of mining data for growth-driven insights,' states Accenture in its recent CFO / Digital Enterprise report¹³.

Handles increasingly complex compliance and risk analysis

A CFO will see a myriad of risks fall under their responsibility. This means a strong understanding of the business' strategy, culture and operations (including customer-facing roles and supply chain). A compliance programme will have a number of moving parts, including technology, processes and resource requirements¹⁴.

While a business ultimately wants to collect and analyse data to grow profitability, it's also vital in meeting compliance requirements. This could include customer call data, transactional records, audit information and compliance exception reports.

¹³<https://www.accenture.com/gb-en/insights/consulting/cfo-research-overview>

¹⁴<https://www2.deloitte.com/content/dam/Deloitte/tr/Documents/finance-transformation/Global%20Yay%20C4%20lar/cfo-insights-compliance-risks.pdf>

Deals with non-financial data

Technology is enabling the collation and study of qualitative information, and the finance function's background in data has seen many in this field expand their responsibilities. On the theme of risk, some organisations are looking to better understand both traditional media and social media monitoring to help gauge perception of their brand or to uncover problems.

Analysing non-financial data inevitably brings finance into working relationships with other departments, such as marketing and sales, which aligns finance with business improvement and increases the function's value to the organisation.

Sees technology as investment

The automation of routine tasks will enable finance to devote time to data analysis and, ultimately, business support. And adoption of Cloud technology helps organisations avoid much of the up-front capital expenditure that on-premise solutions require. Lower outlay will also support any business case for change.

Will investment be stifled in an environment of protectionism? Recent research by American Express bears that out, with 63 per cent of CFOs more cautious about investing in their home operation in the UK, and 77 per cent more cautious about investing abroad¹⁵. However, building resilience is a cornerstone of their plans, with 76 per cent of CFOs planning to increase time and resource to enterprise-level risk management systems and process improvements.

¹⁵https://about.americanexpress.com/files/doc_library/file/2018-AXP-global-business-and-spending-outlook-fact-sheet.pdf





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Accenture CFO / Digital Enterprise Report



In conclusion

There are great pressures on the finance function to digitise and improve, as it faces an increasing pace of regulatory change and demands from the business to support compliance, risk and growth.

However, the benefits of Cloud technology and burgeoning automation and AI / robotics are opening up a wealth of opportunities for the CFO and their team to be pivotal in an organisation's future success.


As Andrew Hicks, CFO at Advanced, says: "The fact that technology can elevate the role of the finance department cannot be underestimated. Many tasks can now be automated through sophisticated and intuitive finance management systems, freeing up finance teams to provide value add analysis.

"The right technology can even strengthen the relationship between the CFO and CEO, whereby the CFO acts as the CEO's 'sounding board'. It's a position that is becoming more critical as technology gives ever greater levels of understanding and insight. So there is no better time for the finance department to invest in technology – or risk being left behind."

Finance leaders need to grasp this opportunity – but it requires serious planning, thought and support from the organisation. They must hold a strong knowledge of technology; understand their business's strategy and operations; digitise the finance function and improve its value to the organisation, while managing that change.

To talk to an expert about how we can help your finance department, contact us on 08451 605 555.

Alternatively leave us a message [here](#) and we will be in touch shortly.

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