The Future of Finance

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The Future of Finance

The Research

Business Context

Four themes;

1. Management Accounting’s mandate
2. New Technologies
3. The changing shape of finance
4. Competencies and Mindset

Questions, comments, insights etc.

Conclusion
Our research has reached out to …

Over 5500 finance professionals

From over 2000 organizations

In over 150 Countries

What’s happening in your world?

How is your business responding?

How should finance support?

What competencies will accountants need?
Creating a vision for the future; initial findings

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Conclusion
Key drivers of change

- Globalisation
- Geopolitics
- Consumer empowerment
- Technology
- Demography
CGMA Business Model – Building Blocks

1. Value Proposition
2. Resources & Relationships
3. Processes, Channels & ‘Intangibles’
4. Costs & Revenues
5. Structure, Scale & Culture
6. Managed & Developed

Digital Ecosystem, may include own ‘digital platform’
Implications of technology on future of finance

Work activities at risk from automation

Source: McKinsey, *Where machines could replace humans – and where they can’t (yet)*
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Conclusion
The Management & Control Cycle

An essential discipline for business (and for success in life):
The sourcing and analysis, of decision-relevant financial and non-financial information and its communication and use, both to preserve value and to create value.
A definition of Management Accounting:

Communication and use of accounting and management information

- **Influence**
- **Impact**
- **Information**
- **Insight**

Assembly and analysis of accounting and management information
Broader roles of finance / management accountants

Assemble

Trusted Source

Analyse

Commercial Analyst

Advise

Steward & Expert

Apply

Business Partner

Acumen
The Definition of Management Accounting

- Communication and use of accounting and management information
- Create Value
- Insight
- Impact
- Information
- Assembly and analysis of accounting and management information
- Preserve value

Blocks shown here as if of equal size
4 x 25% = 100%
Currently, what % of your time do you spend in each of these four areas?

- Communication and use of accounting and management information
  - Create Value
  - Influence 20%
  - Impact 16%
- Assembly and analysis of accounting and management information
  - Preserve value
  - Information 39%
  - Insight 25%

Source: Analysis of 4,692 responses to an on-line survey conducted in 2018
Ideally, what % of your time would you wish to spend in each of these four areas?

- Create Value
- Preserve value
- Communication and use of accounting and management information
- Assembly and analysis of accounting and management information

<table>
<thead>
<tr>
<th>Area</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>Influence</td>
<td>28%</td>
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<tr>
<td>Impact</td>
<td>27%</td>
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<tr>
<td>Information</td>
<td>20%</td>
</tr>
<tr>
<td>Insight</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Analysis of 4,692 responses to an on-line survey conducted in 2018
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Questions, comments, insights etc.

Conclusion
Technology impacting the finance function

Core modernization

Cloud

Visualization

Process robotics

Greater efficiency and consistency

Technology impacting the finance function

- Exponentials
  - Advanced analytics
- New & different capabilities
  - Blockchain
- Core modernization
  - Cloud
- Greater efficiency and consistency
  - Process robotics
- Cognitive computing
- In-memory computing

Management Accounting Services:

Subject Matter Expertise:
External Reports, Tax, M&A, I.R.

Management Information
FP&A

Decision Support, Implementation & Performance Management

Management and Transformation

Accounting Operations
Accounts Payable, Accounts Receivable, Payroll, Record to Report, Management Accounts
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Conclusion
The changing shape of finance over time:
The changing shape of finance over time:

Hierarchical

Executive

Professional

Operational

Segregated
The changing shape of finance over time:
The changing shape of finance over time:
Management Accounting Services

Accounting Operations
Accounts Payable, Accounts Receivable, Payroll, Record to Report, Management Accounts

Subject Matter Expertise: External Reports, Tax, M&A, I.R.

Management and Transformation

Decision Support, Implementation & Performance Management

Management Information, FP&A

Changing shape:

Decision Support & Performance Management

Subject Matter Expertise
Mgt. Info, FP & A Analytics

CFO & Leaders

Information systems

Digital ecosystem
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Conclusion
Fusing and evolving

- Less siloed in a department/function. More pervasive; the essential discipline for management and control
- Emphasis shift from budget and cost control to enabling value creation
- From accountants working with accountants within their function to accountants working alongside business unit managers
- From producers of information to drivers of performance
- Less about accounting; more about management
- More enabled by technology which will augment what we do
Estimates of extent to which different types of roles could be automated; Source: McKinsey, *Where machines could replace humans – and where they can’t (yet)*
Competencies:

- Technical accounting & reporting
- Business skills
  - Analytics
- Subject matter expertise (SME)
  - Analytics
  - Communication
- Problem Solving
- Change management
- Negotiation
- Influencing
Mindsets

- Question
- Act quickly
- Learn, unlearn, relearn
Good foundation for a career; life long learning to future-proof

Effective finance-business partner

- Empathy with Managers
- Compelling Communicator
- Prepared to Challenge

Able to engage, collaborate and generate insights

- Passion for Business
- Commercial Curiosity
- Professional Objectivity

Able to integrate, apply & inform

- Business Understanding
- Commercial Analysis
- Accounting & Finance

CPD/CPE

ACMA, CGMA

Learn

Unlearn

Relearn

Agile Mindset
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Conclusion
Management accountants will be freed to provide the discipline needed to improve decision-making and performance management - but they will need:

a) Strategic awareness of new technologies etc.,

b) Business Models and performance metrics.

c) Data sources and analysis techniques

d) The management accountant mindset
Thank you

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Customers are empowered by the internet. Their behaviours are changing; they are less loyal and expect more for less. The business can now engage directly with customers over digital channels and social networks. Intangibles are king!

Interactions with suppliers can be conducted on-line or even automatically through the ‘internet of things’. A digital platform enables greater collaboration and symbiotic relationships that benefit customers; industrie 4.0

Innovation has to be cultivated and people’s skills developed. Greater transparency can be provided to (and may be expected by) stakeholders and regulators.

Data enhances offer through ‘servitisation’

Cloud enables scale; Automation, embedded controls, Cognitive computing improves efficiency. Data analytics provides new insights; predictive analytics improves modelling.

The business must adapt to the digital age!

The drivers of value are likely to be intangibles. New data sources may provide the means to manage and measure those drivers and more accurately forecast financial outcomes.
Digital Ecosystem, may include own 'digital platform' 6.

Managed & Developed 4.

Costs & Revenues 5.

Structure, Scale & Culture 5.

5. Value Proposition

1. Resources & Relationships

2. Processes, Channels & ‘Intangibles’

Digital Ecosystem, may include own ‘digital platform’

Marketing:
Pricing optimisation
Market mix modelling
Promotion analysis,
Loyalty analytics

Supply chain logistics:
Sales forecasting
Vendor management
Inventory management

Data Controls
Brand value compliance
Consumer Data Protection
Cyber security

Merchandising:
Store layout/planogram
Assortment optimisation
Customer basket analysis

Channel Analytics
Category sales
Worker & logistics
Fraud detection and loss prevention

Strategy & planning:
Horizon scanning
Stores & formats
Performance mgt.
Innovation

Data Analytics:
FP&A + Analytics
Dimensional analysis
Decision Support
BI Dashboards etc.

Big Data and Business Models – supermarket example
**Exponential**

New challenges, new tools

**Advanced analytics**
Analytics has long been part of the finance arsenal, but new techniques are helping business people tackle the tricky questions with insightful answers. Often that means combing through big data to see patterns that suggest future opportunities.

**Cognitive computing**
Cognitive computing and artificial intelligence (AI) simulate human thinking. This technology includes machine learning, natural language processing, speech recognition, and computer vision.

**In-memory computing**
In-memory computing refers to storing data in main memory to get faster response times. And because the data is compressed, storage requirements are reduced. The result? Speed and access to quantities of data that were previously unimaginable.

**Blockchain**
Blockchain is a digital distributed ledger, where transactions are verified and securely stored on a network of distributed and connected nodes, without a governing central authority.

**Cloud**
Cloud is a kind of computing that uses scalable, elastic technology to deliver services over the internet. Instead of making large investments upfront, finance can get the full stack of finance functionality “as-a-service,” delivered through public, private, or hybrid clouds.

**Process robotics**
Process robotics automates transaction processing and communication across multiple technology systems. Robots perform recurring processes just like humans, but with less risk of errors and fatigue.

**Visualization**
Visualization refers to the innovative use of images and interactive technology to explore large, high-density data sets. Visualization suites complement business intelligence and analytics platforms, offering rich graphics, interactivity, and usability on par with leading consumer experiences.

*Source: Deloitte, Crunch Time – Finance in a digital world - 2016*
Impact of New Technologies on Management Accounting Services:

Centres of excellence for subject matter expertise and greater efficiency.

The use of cognitive computing, including AI (artificial intelligence) and machine learning and NLP so ‘Robo writers’ and chat bots can augment the work of human experts.

Blockchain could be used to report directly.

Cloud computing (SaaS) provides scalability.

IT will be fully integrated and interconnected with the business digital ecosystem.

A new vision for finance’s role in the digital age requires new technologies, new structures and new skill sets on multidisciplinary teams.

Robotic process automation (RPA), focusing initially on the automation of transactional tasks.

Intelligent Process Automation (combining RPA with cognitive computing) e.g. to automate more of the steps in the financial close.

Blockchain-based tools could provide transparency to regulators and along the supply chain.

The internet of things could allow more no touch automation.

EPM (or CPM) 
& self service BI;
AI & NLP answers managers’ queries.
Data Visualisation to communicate.
More Advanced Data Analytics enabled by cognitive computing.

Management and Transformation

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Management accounting services and the shape of finance: