

Deloitte.



Crunch time series
Dynamic Finance

Transforming Finance from function to dynamic capability

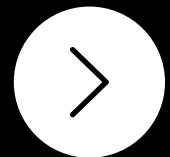
“Flexibility is the key to stability.”

—John Wooden

First things first

It's always crunch time now

We started the *Crunch time* series to help CFOs and Finance leaders better understand the forces of change coming their way and adapt their organizations to deal with and thrive amid that change. But along the way, those forces got stronger and started coming from new directions. To answer those new challenges, and to help CFOs better prepare for whatever might be around the corner, we're shifting our perspective a bit. Now, it's always crunch time. It's *always* time for Finance to be ready for change—and always time for new opportunities.



What's inside

01

Time to get moving

5

02

Hold on. What do you mean by Dynamic Finance?

7

03

Yes, but why Dynamic Finance, and why now?

9

04

The principles of Dynamic Finance

10

05

Turning challenge into opportunity: Imagine this

12

06

Barriers to break down

19

07

Questions to ask first

20

08

Remember: Structure lends agility, stability, and opportunity

21

It's time to get moving

A few years ago, we developed predictions for what Finance would look like, and needed to achieve, by 2025. Cloud, cognitive computing, automation, and more were creating new opportunities for Finance to transform. These trends were changing how Finance worked before our eyes, and we knew action was needed.

Those predictions mostly hold true and Finance leaders still need to understand what new technologies can bring to their organizations. But our best prediction now is simple: Just be ready for change. Finance's challenges aren't just coming from inside the building. Who could have predicted a global pandemic, geopolitical unrest, increased focus on sustainability and climate, changing worker expectations, supply chain disruption, economic uncertainty, and vast social change—all at the same time?

External forces like market shocks, industry consolidation and convergence, technology acceleration, and new regulatory requirements mean Finance organizations need to respond and adapt. As a Finance leader, how can you set up and prepare the organization to thrive in the face of these disruptions? The growing need for agility, driven more and more by external forces, has led many CFOs to consider how their organizations can be more streamlined, more responsive, and faster to deliver change.

The growing need for agility, driven more and more by external forces, has led many CFOs to consider how their organizations can be more streamlined, more responsive, and faster to deliver change.



01

02

03

04

05

06

07

08

It's time to get moving

Imagine a future in which your data and reporting capabilities enable Finance to respond to inflationary pressures by immediately assessing purchasing choices. Or in the face of economic uncertainty, Finance can monitor costs along every step of the production line using sensing technologies that provide insight into cost-reduction opportunities. Imagine a future in which any disruption, internal or external, becomes an opportunity for Finance to act with greater agility and flexibility, playing a vital role in achieving the business's overall goals.

The success of Finance lies in building a resilient, integrated organization that quickly adapts to change. How does Finance address this constantly evolving and dynamic business environment? By becoming dynamic itself.

Imagine a future in which any disruption, internal or external, becomes an opportunity for Finance to act with greater agility and flexibility, playing a vital role in achieving the business's overall goals.

It's time for Dynamic Finance. Here's a deeper look at what it is, why it matters, and how you can help make it happen for your organization.



01

02

03

04

05

06

07

08

Hold on. What do you
mean by **Dynamic Finance?**



01

02

03

04

05

06

07

08

Hold on. What do you mean by Dynamic Finance?

dynamic

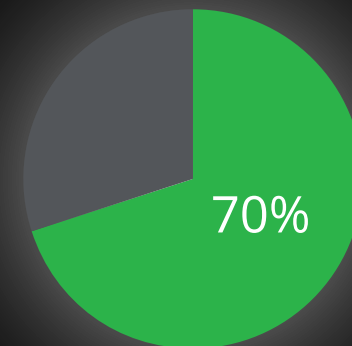
dy·nam·ic | \ dī-'na-mik \

1a: a force or factor that influences a process of growth, change, interaction, or activity:
a dynamic force or factor

b: marked by usually continuous and productive activity or change:
kinetic: a dynamic city

As organizations work to become “exponential enterprises”¹—they’re coming to understand that the capacity to change enables an organization’s ability to compete and win. This agility becomes their competitive and strategic advantage. It requires simplified and standardized processes, a foundation of innovative and enabling technologies, and a highly skilled and technically fluent workforce. A Dynamic Finance capability evolves to win, is always ready, and looks at every disruption as an opportunity.

Ability to pivot and adapt



Seventy percent of CxOs surveyed are not confident in their organization’s ability to pivot and adapt to disruptive events.²



01

02

03

04

05

06

07

08

Yes, but why Dynamic Finance, and why now?

Because the pace of change—internal and external— isn't likely to slow down, and because there's no way of knowing what's around the corner. But whatever happens, leaders can't let it break the business. Becoming dynamic means Finance can help the enterprise compete, survive, and thrive amid change.

Environment



Ninety-six percent of Global CFOs surveyed believe that climate change will impact their company's strategy and operations over the next three years.⁴

Inflation



Among the United States, the euro area, and other advanced economies, 60% of the countries have annual inflation rates over 5%.³

Workforce



The Great Resignation continues, as 44% of surveyed workers look for a new job.⁵

Dynamic capabilities

Dynamic Finance means creating a capability that can flex and adapt in the face of external forces with speed, strength, stability, and flexibility to create value. Imagine that in a period of great uncertainty or change, you can quickly and adeptly:



Model and scenario plan mitigating actions with business leaders to understand how known (and unknown) disruptions may impact business operations



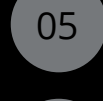
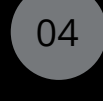
Effectively pivot your organization to tackle and address the most pressing needs, whatever those needs may be—growth, cost reduction, system implementation, merger integration, etc.



Create an intentional workplace where Finance talent feels valued and motivated because they are focused on meaningful and impactful work



Proactively identify and mitigate new financial and operational risks arising from changes in the market



The principles of Dynamic Finance

Dynamic Finance is a new way of operating. We have defined a set of principles to help Finance leaders better understand how to transform Finance from business function to dynamic capability—while still performing its steward and operator duties.



Transformation mindset



Workforce of now



Sense and learn



Lights-out processes



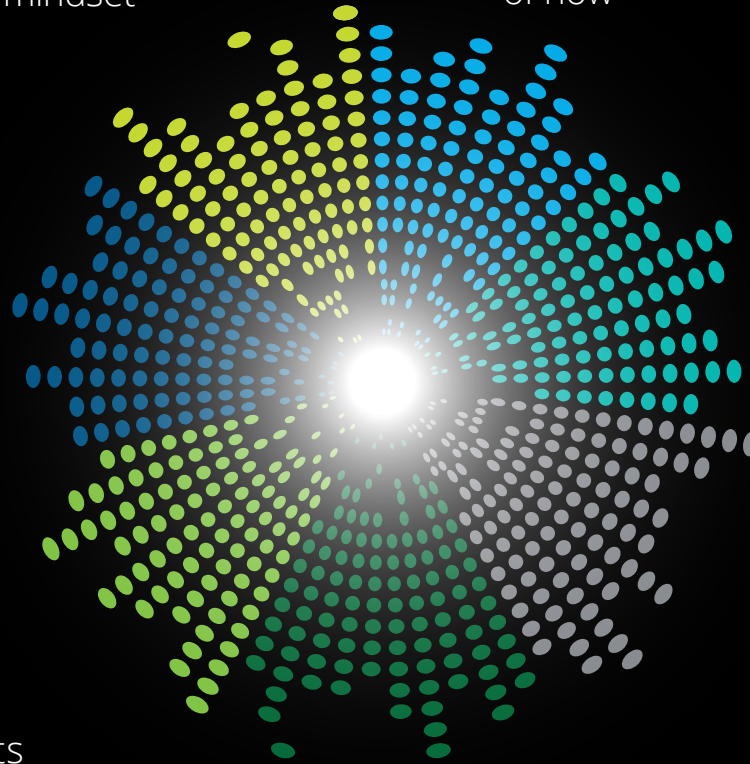
No-regrets tech



Information on demand



Data for storytelling



01

02

03

04

05

06

07

08

The principles of Dynamic Finance



Transformation mindset

Not an event, but a continual evolution

Accept that ambiguity and continuous evolution are here to stay—the pace of business has changed. Have a strong, flexible foundation—core technologies, automated processes, structured data models, and savvy talent—that allows you to dynamically support the business in the face of evolving forces.



Workforce of now

Tech-savvy talent and enduring human capabilities

Be intentional about your workforce and their experience. Invest in and foster your people—across all levels. Skills development should be a part of business as usual—and should span foundational Finance skills as well as tech-savvy and problem-solving skills. Give them opportunity and space to grow.



Lights-out processes

Machines first, then people

Reimagine and redesign processes to be performed by systems and automation. Leverage technology upgrade cycles and programs to help you achieve these outcomes. Make sure human interaction adds and drives value.



Information on demand

All the time

Meet the enterprise's evolving and growing appetite for fast and reliable information. Rethink how information is made available today to fully align to business needs. The speed at which information is consumed has dramatically shifted, and the business has high expectations.



Data for storytelling

Rigid governance for flexible data

Establish strong governance over your data for both internal and external consumption. Make sure the Finance organization is well versed in how data is structured, created, maintained, secured, and consumed—allowing the organization to be more responsive and flexible with analysis.



No-regrets tech

Digital and flexible core

Leverage modern, compatible, and continually updating platforms that can transform and scale with the business. Take advantage of platforms that continually evolve to bring new capabilities to Finance.



Sense and learn

Detect risks, and prepare the organization for what's next

Develop the capability and capacity to sense, weigh, and mitigate risks. Know and measure the most important risk and performance indicators for the business, and be prepared to respond.



01

02

03

04

05

06

07

08

Excelling in multiple areas can sound like a tall order. But it may be easier than it appears.

Turning challenge into opportunity: **Imagine this**



We get it: The key principles of Dynamic Finance sound good on paper, but they can also sound overwhelming to implement. And change often is hard to implement without a mandate. So, let's review how the principles work in practice when an organization is facing disruption and has no choice but to respond. Any organization—even yours—will face a huge disruption at some point. By strengthening key parts of Finance, an organization can use these disruptions to find new opportunity—and become dynamic along the way.



01

02

03

04

05

06

07

08

Hypothetical 01

Business model transformation

(Establishment of a new business line that results in a new revenue model and an external reporting segment)



Imagine this

The board, CEO, and executive leadership team rapidly transform your organization's strategy to adjust to shifting consumer preferences—pivoting from traditional business-to-business sales rooted in long-standing contractual models, to a direct-to-consumer subscription-based revenue model.

Finance now must quickly flex to adapt and support the new strategy and the organization's strategic plans.

These include:



A new external reporting segment that must be supported by all Finance systems, processes, and controls



New processes for pricing and profitability analytics, order management, and revenue recognition



New financial planning and forecasting processes with updated assumptions and models



A new investor relations strategy to articulate the organization's success to the market



A full assessment and implementation of governance and controls for the new business line



Hypothetical 01

As a Dynamic Finance capability, you are ready to pivot and support the launch of the new business segment, surpassing investor expectations for the timing of changes. This was enabled by:



Core⁶ and edge⁷ technologies that are adaptable and modern, with minimal investment required to align to new processes and outcomes.

Anticipated result

Your modern billing application allows for quick changes to processes and is integrated with your latest generation ERP and general ledger. Here, you can easily set up new legal and management entities and hierarchies. Your cloud-based (SaaS) financial consolidations and external reporting tool are built for agility and are quickly configured to report on the new business segment.



Clearly defined data model that spans financial and operational domains with rigid governance enabled by agile technology.

Anticipated result

You have centralized access to standardized data via modern, cloud-based planning and reporting tools that allow you to quickly and efficiently design and implement new reporting. Updating planning processes for the new business segment is quickly done by the team managing your cloud-based (SaaS) planning tool.

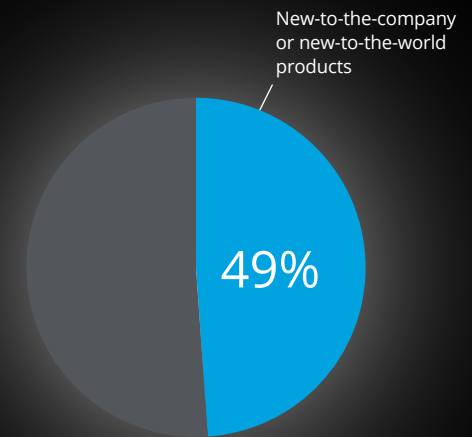


Established organization-wide digital risk methodology with a focus on ethical automation to support risk mitigation efforts.

Anticipated result

You proactively sense, evaluate, and mitigate risks using a cross-functional governance program. Controls no longer are a Finance challenge, but a strategic advantage that helps you quickly launch the new business while limiting potential for costly and public missteps.

Future investment allocation



Surveyed chief strategy officers believe nearly 49% of future investment allocation will be in new-to-the-company or new-to-the-world products, services, or business models.⁸



01

02

03

04

05

06

07

08

Hypothetical 02

Divestiture

(Carve-out of an existing business from due diligence through separation)



Imagine this

Your leadership team seizes an opportunity to fund inorganic growth by carving out and selling one of its legacy businesses.

Finance must now strategically partner to drive this change and optimize the value of the deal, including:



Creating a detailed valuation of the business by using data to accurately price the divestiture



Separating existing technology and standing up new technical capabilities for the business being carved out



Developing an updated planning and forecasting process for the remaining business with new assumptions and models, taking care to monitor and minimize the potential for stranded costs



01

02

03

04

05

06

07

08

Hypothetical 02

As a Dynamic Finance capability, you are prepared to tackle these challenges, enabled by:



Centralized and harmonized enterprise data strategy and tools that feed continuous, on-demand analytics.

Anticipated result

You quickly access the data—regardless of timing related to monthly or quarterly financial close—to build a comprehensive and accurate valuation of the legacy business. With access to customizable data and dashboards with accurate real-time financials, you can confidently report to investors and the market, as well as demands of external audits.



Talent and delivery model that encourages multidisciplinary development across stable, growing, and nascent skills and is designed around the needs of the business.

Anticipated result

Your Finance team has experience working across the organization—commercial, supply chain, business operations, IT—and is empowered to guide changes to Finance activities that cross functions and domains to facilitate the separation, avoiding swirl and getting to an updated plan faster. Your talent is energized by the challenge of the divestiture and approaches it enthusiastically.

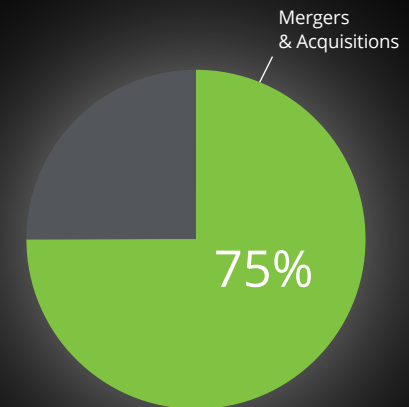


Established cloud-based financial tool sets—including FP&A, reconciliation and consolidation, and reporting tools—that are easily cloned and portable to the new entity.

Anticipated result

You save significant resource investments—from people to capital—by being able to replicate and port needed data, processes, and technology to the separated business. Having high-quality data facilitates a smooth divestiture process and allows you to reduce the need for transition service agreements (TSAs) keeping you focused on the remaining core business.

Growth driver



Nearly three-quarters of CFOs surveyed expect M&A to fuel as much as 20% of their organizations' growth in the next three years.⁹



01

02

03

04

05

06

07

08

Hypothetical 03

Market shock

(Volatile raw material availability and price changes impact supply chain)



Imagine this

A market shock, in the form of volatile raw material availability and pricing, creates significant challenges in your supply chain. This affects your ability to source inputs and manage cost of goods sold (COGS), and impacts margin and total company profitability.

Finance has a seat at the table to navigate this challenging environment, including:



Providing insight into the impact on sales and product profitability due to delays and input cost increases



Developing strategies to manage cost, profitability, working capital (AR, AP, inventory, and funding position), and cash flow



Advising on the impact to the company's financial plan and earnings prospects in the near and long term



01

02

03

04

05

06

07

08

Hypothetical 03

As a Dynamic Finance capability, you stand at the ready to test hypotheses and provide timely insights informing strategic direction, enabled by:



A touchless back office with enhanced end-to-end processes, streamlined controls, and cognitive insight generation.

Anticipated result

You have increased transparency into all transactions via the distributed ledger and have confidence in the quality and accuracy of your financial information allowing you to rapidly assess profitability. Cognitive insights help identify vendor price increases proactively allowing you to pivot around pricing decisions, supplier decisions, and more.



Prudent balance sheet and cash flow management through tech-enabled liquidity management and forecasting capabilities.

Anticipated result

You have increased visibility and control over cash allowing for greater nimbleness in decision-making and optionality in sources of working capital and funding for the business.

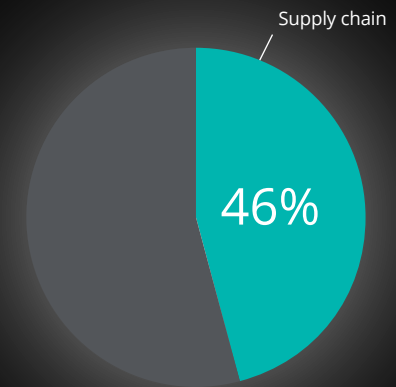


A Finance capability—technology, process, talent, and data—that is hardwired for change.

Anticipated result

Your team is ready—you have prepared and invested for this day when the information and strategic insight you can provide will allow the enterprise to pivot on a dime. Finance has proactively identified a set of opportunities to strategically control costs to offset cost increases from the market shock. This provides management multiple options for how to blunt the impact. What once felt like an insurmountable challenge is now an opportunity for Finance to shine.

Business disruption



Forty-six percent of CEOs surveyed expect supply chain disruption to be a top disruption to their business strategy within the next 12 months.¹⁰



01

02

03

04

05

06

07

08

Barriers to break down



01

02

03

04

05

06

07

08

From what we've seen, not many Finance functions out there can move as fast as they need to, especially when trying to help their organizations navigate disruption. There may be several reasons why.



Functional silos

Too much work occurs in silos, with one part of Finance not engaging with another or with the business to understand the downstream impacts of decisions.



Mindset and cultural shift

Change is hard for any function, but it's particularly hard for Finance, which has always held an essential role as a steward of stability. A mindset shift that flexibility is key to stability is necessary to successfully navigate change.



Lack of connection

Lots of things need to happen to transform Finance, and they don't always seem connected. But without integration, you can't build the connective tissue of a Dynamic Finance capability.



Technical debt

Transforming the technical architecture and platforms that Finance uses can be costly and challenging to implement. Furthermore, system changes alone won't fix broken processes and underlying data challenges.



Incentives aren't aligned

An organization's reason for transformation may come from diverse perspectives, but it should be aligned across the business and championed by leadership. Everyone should know how to answer: What is your north star and organizational vision?



Access to capital

CFOs compete for capital. Many CFOs rely on traditional ROI and cost out business cases. CFOs should consider putting a value on intangibles such as better and faster information to make the case for the investment they need.

Questions to ask first



How did your Finance organization adjust to recent disruptive external events?



Do your Finance organization's objectives, capacity, and capabilities enable the enterprise to meet its strategy and change at pace?



Is your Finance organization ready for the next disruption?



Which principle of Dynamic Finance should your Finance organization address first to be able to match the pace of change for your enterprise?



What is the first step in beginning your Finance organization's dynamic journey?



01

02

03

04

05

06

07

08

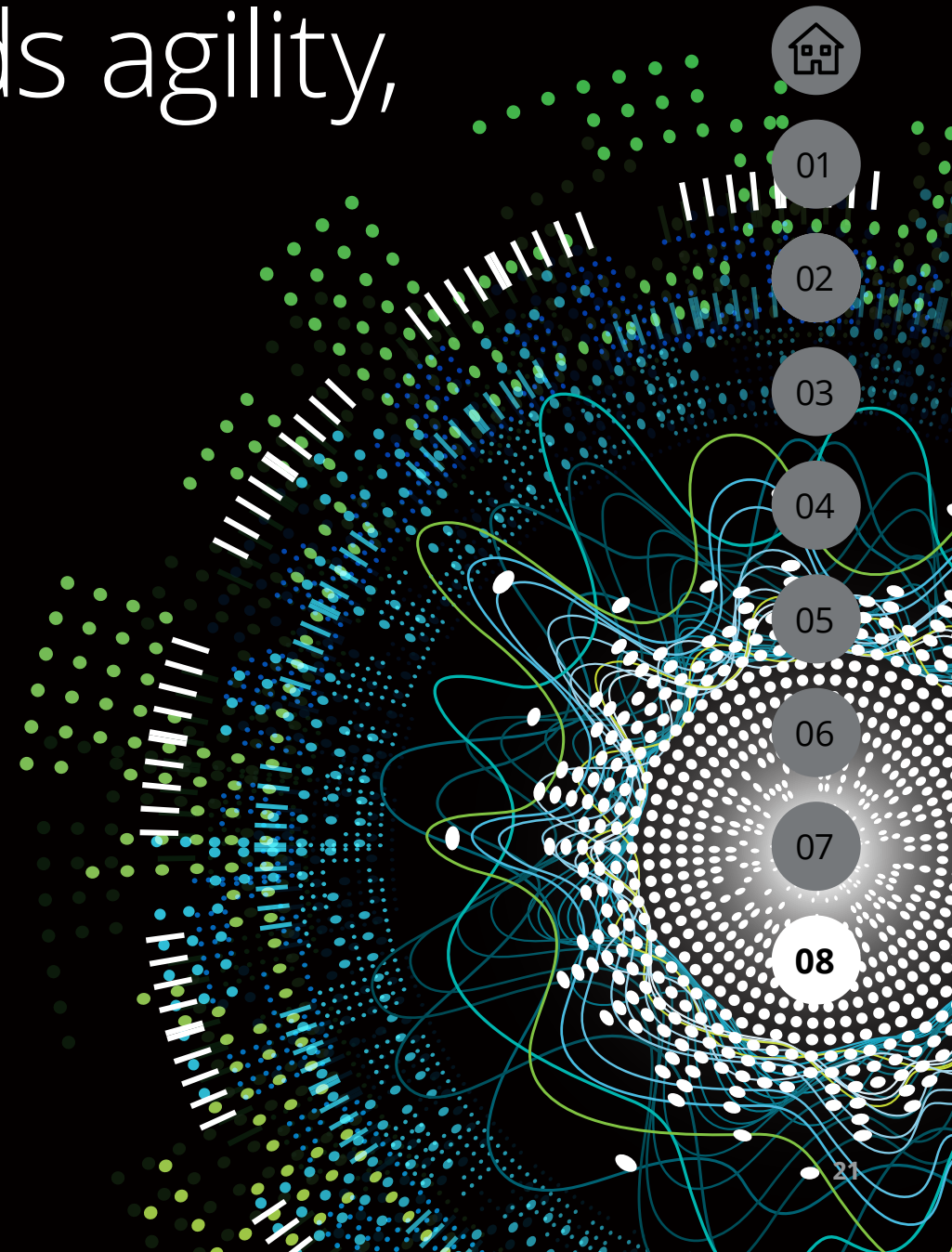
Remember: Structure lends agility, stability, and opportunity

In this new environment of constant change and disruption, what does good look like? That's really up to you, the Finance leader responsible for transforming Finance from function to capability. What we know for sure is this: An organization with a foundation of agility, resilience, and automated, simplified processes is often better set up for success, no matter what comes its way.

The pace of change and disruption won't stop, and you can't let anything break the business. A Finance function that can move fast, embrace good over perfect, and continually evolve to deliver strategic insights—that's a Finance capability ready for the future.

That's Dynamic Finance.

An organization with a foundation of agility, resilience, and automated, simplified processes is often better set up for success, no matter what comes its way.



01

02

03

04

05

06

07

08

Acknowledgements

Authors

Mike Danitz
**Principal, Consulting,
Finance & Enterprise Performance**
Deloitte Consulting LLP
Tel: +1 206 716 6948
Email: mdanitz@deloitte.com

Jonathan Englert
**Principal, Consulting,
Finance & Enterprise Performance**
Deloitte Consulting LLP
Tel: +1 215 405 7765
Email: jenglert@deloitte.com

Kristin Kanter
**Principal, Consulting,
Finance & Enterprise Performance**
Deloitte Consulting LLP
Tel: +1 617 585 4789
Email: kkanter@deloitte.com

Liz Percy
**Partner, Consulting,
Finance & Performance**
Deloitte MCS Limited
Tel: +44 20 7007 4776
Email: lpercy@deloitte.co.uk

Ryan Reiber
**Principal, Risk and Financial Advisory,
Controllershship**
Deloitte & Touche LLP
Tel: +1 513 412 8313
Email: rreiber@deloitte.com

Philippe Podhorecki
**Senior Manager, Consulting,
Finance & Enterprise Performance**
Deloitte Consulting LLP
Tel: +1 202 600 6265
Email: ppodhorecki@deloitte.com

Contributors

Susan Hogan
Jessica Bier
CJ Brennan
Casey Caram
Clint Carlin
Jeff Goodwin
Ravi Gupta
Dean Hobbs
Beth Kaplan

Mike Kosonog
Arjun Krishnamurthy
Nnamdi Lowrie
Diane Ma
Eric Merrill
Tadd Morganti
Edward Nevin
Prashant Patri
Ranjit Rao

Lindsay Rosenfeld
Matt Schwenderman
Anton Sher
Brian Siegel
Matt Soderberg
David Stahler
Scott Szalony
Kim Hendil Tegner
Paul Wensor



Contacts

Susan Hogan

**Principal, Finance
Transformation Practice Leader**

Deloitte Consulting LLP
Tel: +1 404 631 2166
Email: shogan@deloitte.com

Nnamdi Lowrie

**Principal, Consulting, Finance
& Enterprise Performance Leader**

Deloitte Consulting LLP
Tel: +1 213 996 4991
Email: nlowrie@deloitte.com

Jessica Bier

**Managing Director, Consulting,
Human Capital**

Deloitte Consulting LLP
Tel: +1 415 783 5863
Email: jbier@deloitte.com

Jonathan Pearce

**Principal, Consulting,
Human Capital**

Deloitte Consulting LLP
Tel: +1 646 301 1407
Email: jrpearce@deloitte.com

Varun Dhir

**Principal, Consulting,
Oracle**

Deloitte Consulting LLP
Tel: +1 484 868 2299
Email: vdhir@deloitte.com

Eric Bramley

**Managing Director, Consulting,
SAP**

Deloitte Consulting LLP
Tel: +1 404 631 2145
Email: ebramley@deloitte.com

Matt Schwenderman

**Principal, Consulting,
Emerging ERP Solutions**

Deloitte Consulting LLP
Tel: +1 215 246 2380
Email: mschwenderman@deloitte.com

Clint Carlin

**Partner, Risk and Financial Advisory,
Controllershship**

Deloitte & Touche LLP
Tel: +1 713 504 0352
Email: ccarlin@deloitte.com

Sarah Fedele

**Principal, Risk and Financial Advisory,
Internal Audit**

Deloitte & Touche LLP
Tel: +1 713 982 3210
Email: sarahfedele@deloitte.com

Mike Kosonog

**Partner, Risk and Financial Advisory,
Cyber**

Deloitte & Touche LLP
Tel: +1 313 919 3622
Email: mkosonog@deloitte.com

Prashant Patri

**Principal, Risk and Financial Advisory,
Treasury**

Deloitte & Touche LLP
Tel: +1 212 436 7568
Email: prpatri@deloitte.com

Scott Shafer

**Principal, Tax,
Tax Technology Consulting**

Deloitte Tax LLP
Tel: +1 312 486 5340
Email: sshafer@deloitte.com

Ed Nevin

**Partner, Tax,
Tax Specialty**

Deloitte Tax LLP
Tel: +1 410 576 7359
Email: enevin@deloitte.com

Scott Szalony

Partner, Audit and Assurance

Deloitte & Touche LLP
Tel: +1 248 345 7963
Email: sshalony@deloitte.com

Jeff Goodwin

**Partner, Risk and Financial Advisory,
Government & Public Service**

Deloitte & Touche LLP
Tel: +1 303 921 3719
Email: jgoodwin@deloitte.com

Brian Siegel

**Principal, Consulting,
Government & Public Service**

Deloitte Consulting LLP
Tel: +1 571 882 5250
Email: brisiegel@deloitte.com



Local contacts

Robert Bergström

**Partner | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 70 080 26 90
Email: rbergstrom@deloitte.se

Christina Bergman

**Partner | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 76 847 26 88
Email: chrbergman@deloitte.se

Malin Nilsson

**Partner | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 70 080 23 23
Email: malinilsson@deloitte.se

Erik Olin

**Partner | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 73 397 11 13
Email: eolin@deloitte.se

Susan Merzell

**Director | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 73 397 10 22
Email: smerzell@deloitte.se

Claes Friberg

**Director | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 70 080 21 65
Email: cfriberg@deloitte.se

Fredrik Wallman

**Director | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 70 080 30 44
Email: fwallman@deloitte.se

David Peto

**Director | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 70 080 34 05
Email: dpeto@deloitte.se

Fredrik Warne

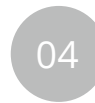
**Director | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 70 080 30 72
Email: fwarne@deloitte.se

Sebastian Ekdahl

**Director | Consulting
Finance & Performance**

Deloitte AB
Tel: +46 70 080 30 95
Email: sekdahl@deloitte.se



Endnotes

- 1 Monitor Deloitte, *The exponential enterprise*, 2021.
- 2 Deloitte Insights, *2021 Deloitte Global Resilience Report: Building the resilient organization*, 2021. Survey included 2,260 private- and public-sector CxOs in 21 countries.
- 3 Eshe Nelson, "Globally, inflation is surging amid persistent pandemic disruptions and war in Ukraine," *New York Times*, April 12, 2022.
- 4 Deloitte Insights, CFO excerpt from the *2022 Deloitte CxO Sustainability Report*, 2022. Survey included 216 CFO executives.
- 5 Willis Towers Watson, "*Majority of US employees are open to leaving their employers, WTW survey finds*," press release, March 17, 2022. The 2022 Global Benefits Attitudes Survey included 9,658 US employees from private employers across a broad range of industries in December 2021 and January 2022.
- 6 ERP, billing, financial planning, and forecasting systems.
- 7 Accounts payable and customer dunning automation.
- 8 Bernardo Silva et al., *2022 Chief Strategy Officer Survey*, Monitor Deloitte, March 2022. Survey included 230 senior strategy executives from 35 countries.
- 9 Deloitte, *CFO Signals™: 3Q 2021*, 2021. Survey included 96 CFOs from the United States, Canada, and Mexico.
- 10 Deloitte, *Winter 2022 Fortune/Deloitte CEO Survey*, 2022. Survey included 175 CEOs.



01

02

03

04

05

06

07

08



To find out more, please visit www.deloitte.com/us/crunchtime.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States, and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.