

*Crunch time series*

**Dynamic Finance**

Transforming Finance from function to dynamic capability

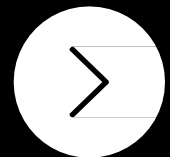
“Flexibility is the key to stability.”

—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 organisations 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.



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# 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 organisations. 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?

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

External forces like market shocks, industry consolidation and convergence, technology acceleration, and new regulatory requirements mean Finance organisations need to respond and adapt. As a Finance leader, how can you set up and prepare the organisation 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 organisations can be more streamlined, more responsive, and faster to deliver change.



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# 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.

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 organisation that quickly adapts to change. How does Finance address this constantly evolving and dynamic business environment? By becoming dynamic itself.

**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 organisation.**



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



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

## dynamic

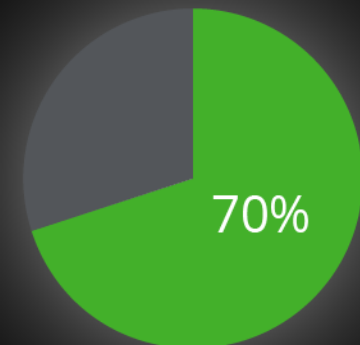
dy·nam·ic | \ dī-'na-mik \

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 organisations work to become “exponential enterprises”<sup>1</sup>—they’re coming to understand that the capacity to change enables an organisation’s ability to compete and win. This agility becomes their competitive and strategic advantage. This requires simplified and standardised 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 organisation’s ability to pivot and adapt to disruptive events.<sup>2</sup>



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# Yes, but why Dynamic Finance, and why now?

Because the pace of change—internal, external, social, economic, and geopolitical—likely isn’t going to stop. Because there is no way of knowing what’s around the corner—but whatever happens, leaders can’t let it break the business. Because becoming dynamic means Finance can help the enterprise compete, survive, and thrive amid change.

## Inflation



Sub-Saharan Africa experienced inflation of up to 10.99% by end of 2021 and it’s still on the rise for the year 2022

## 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.<sup>4</sup>

## Workforce



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

## 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

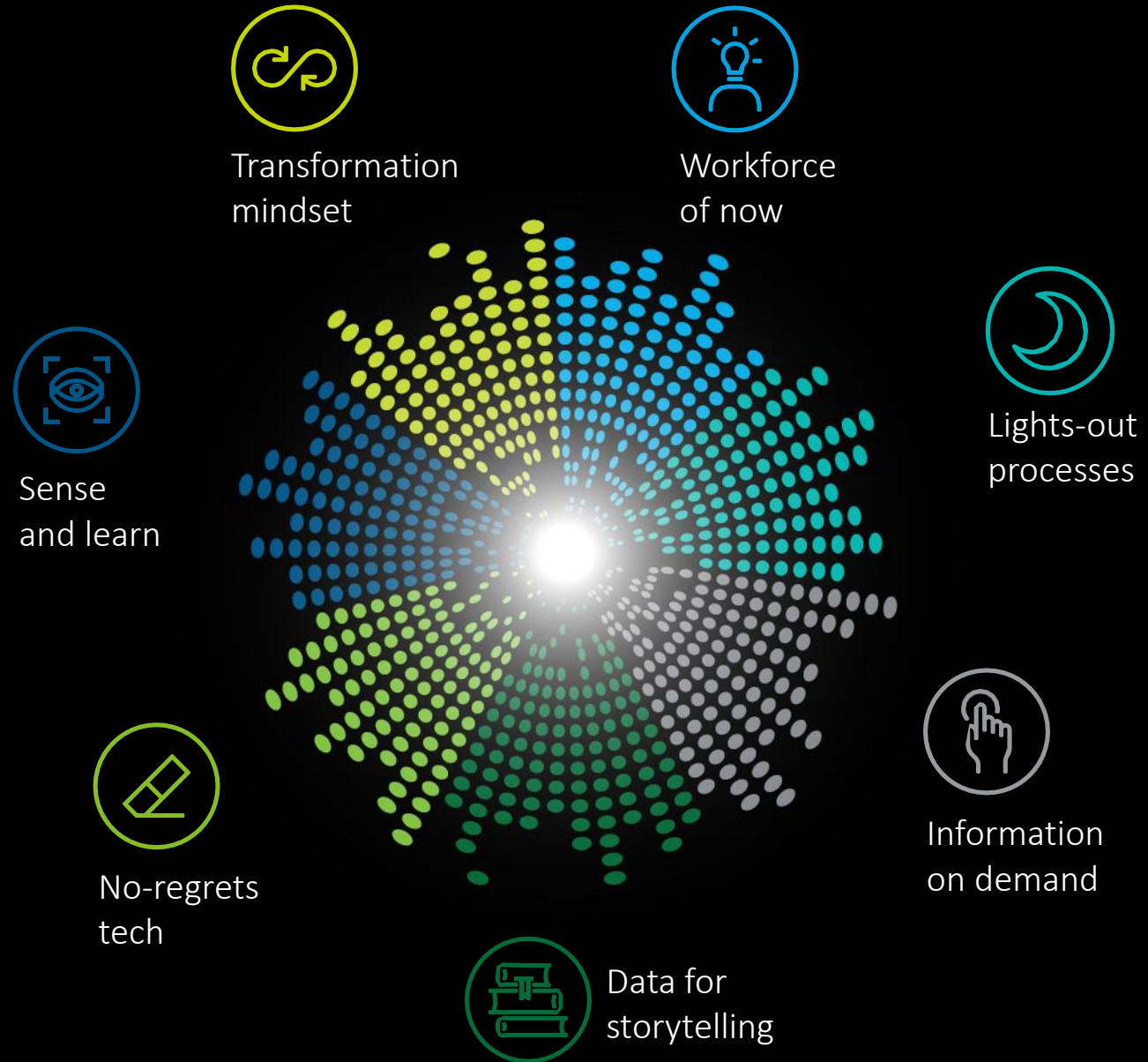


Proactively identify and mitigate new financial and operational risks arising from changes in the market



# 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.



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# 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 organisation is well versed in how data is structured, created, maintained, secured, and consumed—allowing the organisation 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.



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 organisation is facing disruption and has no choice but to respond. Any organisation—even yours—will face a huge disruption at some point. By strengthening key parts of Finance, an organisation can use these disruptions to find new opportunity—and become dynamic along the way.



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# 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 organisation’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 organisation’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 organisation’s success to the market
- ✓ A full assessment and implementation of governance and controls for the new business line



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:



**Core<sup>6</sup> and edge technologies<sup>7</sup> 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 centralised access to standardised 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.

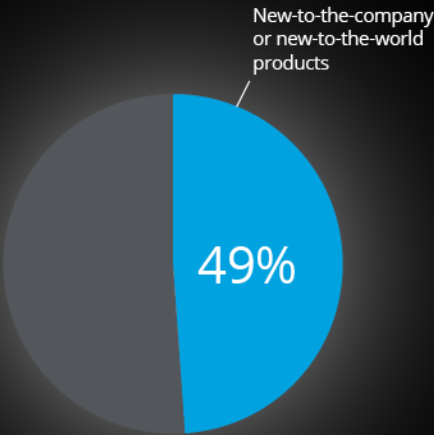


**Established organization-wide digital risk methodology with a focus on ethical automation to support risk mitigation efforts**

**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.<sup>8</sup>



# 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 optimise the value of the deal, including:



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



Separating existing technology and standing up new technical capabilities for the new 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 minimise the potential for stranded costs



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



**Centralised and harmonised 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 customisable 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.**

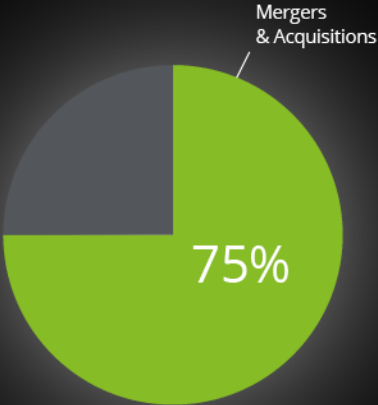
**Anticipated result**  
Your Finance team has experience working across the organisation—commercial, supply chain, business operations, IT—and is empowered to guide changes to Finance activities that cross functions and domains to facilitate the separation; avoiding swirl and getting to an updated plan faster. Your talent is energised 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 percent of their organisations’ growth in the next three years.<sup>9</sup>



# Market shock

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



**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



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As a Dynamic Finance capability, you stand at the ready to test hypotheses and provide timely insight 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.

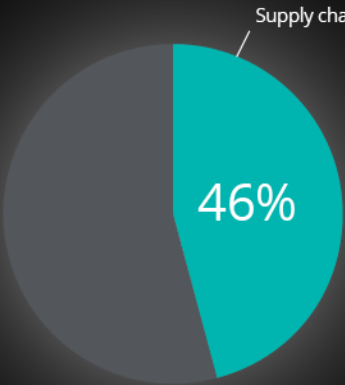


A Finance capability—technology, process, talent, and data—that is hardwired for change.

**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.

Ability to pivot and adapt



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

# Barriers to break down

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 organisations 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 organisation'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 organisational 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.



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# Questions to ask first



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



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



Is your Finance organisation ready for the next disruption?



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



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



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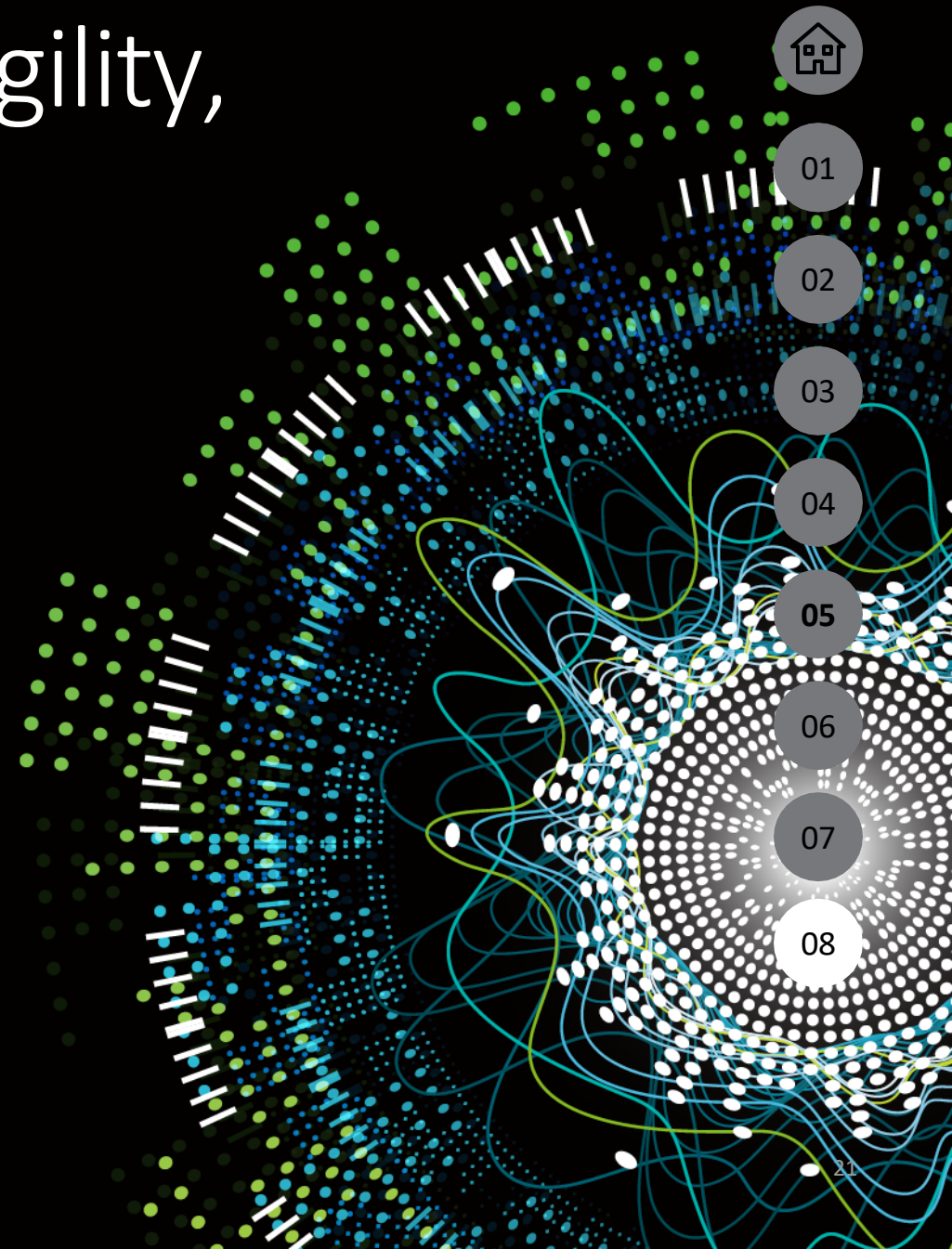
# Remember: Structure lends agility, stability, and opportunity

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 organisation 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 organisation ready for the future. A refreshed strategy and case for change can take your organisation a long way.

That's Dynamic Finance.

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



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# Endnotes

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