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The Future of Operational Finance

How the exponential growth of robotics, cognitive computing and other disruptive technologies impact the evolution of the finance function

Imagine a day in Shanghai, 2020…

The CFO of a Fortune 500 company rushes back to her office in an autonomous vehicle:

10:00 pm - In the car she is updated on the financials via an alert on her wearable mobile device. Two global operating companies are flagged for coming dangerously close to breaching their Bitcoin denominated liquidity limits. She has to act fast and act now.

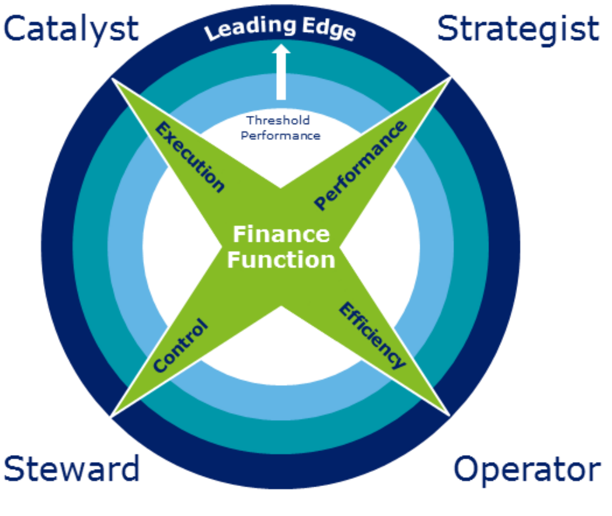
10:25 pm - She makes a voice activated real-time query for visualization of the trading and balance sheet positions. The view includes external data on market movements, seamlessly integrated with the competitor response. She asks for cognitive intelligence reports to analyze various scenarios and predicted outcomes.

10:45 pm - She messages her accounting operations manager to prepare a virtual close and provide the necessary insights to her leadership team. In parallel the Finance business partners are asked to collaborate and prepare scenarios based on predictive analytics.

10:55 pm - Finance teams collaborate with their global colleagues who possess a mix of business and technology skills, they use their control reports and validate the virtual close and the appropriate scenarios. The CFO collates the results and provides her recommendation and supporting analysis to the business leaders.

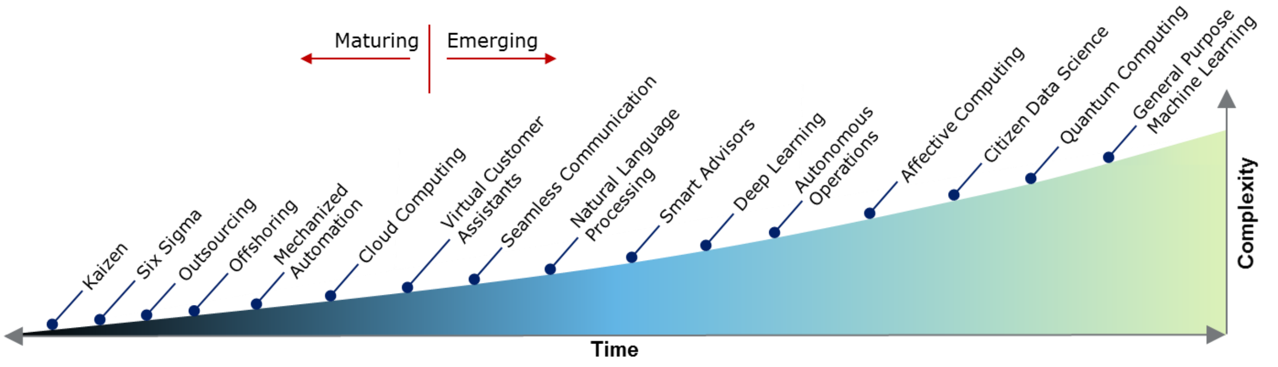
The rebalanced roles of the Finance function position the CFO as a business partner that makes an impact

Note how the CFO's time is no longer dominated by operational tasks. The balance in the four faces of the CFO will shift from the currently dominant roles of **steward**, preserving the assets of the organization by minimizing risk and getting the books right, and **operator**, responsible for running a tight Finance operation that is efficient and effective…



…to **strategists**, helping to shape overall strategy and direction, and **catalysts**, instilling a financial approach and mindset throughout the organization to help other parts of the business perform better.

Balancing these roles makes a CFO's job more complex than ever: no longer focused on processing lagging data and instead leveraging leading analytics to make decisions that make an impact. So how do we get there?



Technological developments in the twentieth century enabled only **hindsight**: broad historical reporting on key performance indicators. The power of personal computing generated **insight** through statistical analysis that helped organizations understand their historical performance. Cognitive computing will yield **foresight** by leveraging advanced analysis, machine learning, and modeling to predict future performance.

Innovations in technology in the last fifty years have enabled the Finance function to evolve from hindsight to insight. Whereas it took thirty years for the technology of the twentieth century to capture and distribute data, a shift in half that time has empowered people to leverage that data through performance tracking, mobile devices and robotic process automation. Smart CFOs are currently investing heavily in fully robotized and automated transactional processes and controls, which is a stepping stone to enable the next big shift: cognitive computing, where systems not only present data but truly process that data and generate actionable information. Refined datasets will empower the CFO to focus on making the decisions that maximize business and customer impact. And it is this technological enablement that will allow the balance in the roles of the CFO to evolve.

The CFO as an insight hub plays a key role in a data-driven decision making hub

Amplified intelligence leveraging internal and external data will strengthen the role of the CFO as Strategist but only if technologies are leveraged to optimize the Steward and Operator roles first. If you're not already preparing to make the shift, you may already have fallen behind: it will not take another fifteen years for the disruption to happen - this change is coming in the next five years.

Key Technologies That Will Advance the Finance Function

Blockchain: Increased transparency into all transactions via the distributed ledger increases the speed of exchange between entities and reduces the number of intermediaries. This will accelerate data consolidation and reporting by blend teams involved in payment processing.

Robotics: Reduced labor across all routine financial transactions leads to dramatic revisions of talent models.

Cognitive: Self-correct repetitive tasks such as AP/AR, leading to reduced costs and improved accuracy to enable identification, recovery, and reduction of overpayments in high volume, complex transactional data environments.

In-memory: Enhanced visibility into information and more efficient processes enable faster execution of transactional processes such as A/R and A/P.

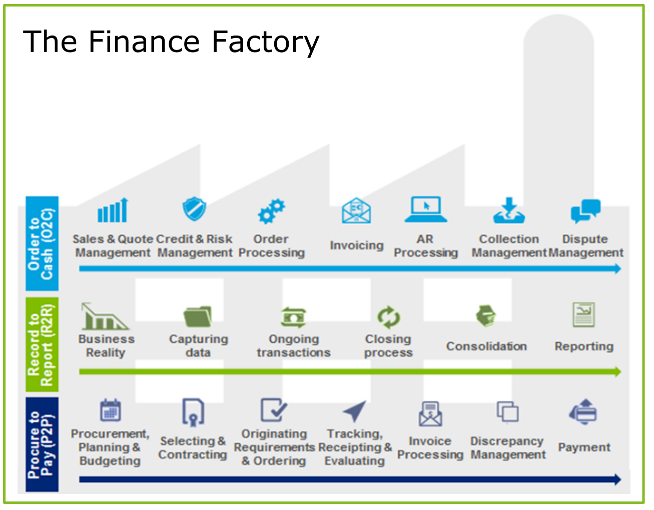
Cloud: Shortened close cycles and a reduction of reconciliations/data entry through a single platform increases access to efficient, well-defined data models.

The "Finance factory" is a fully automated control center with process visualization tools that drives the Finance department. The controls on the inflow of external data is managed, but also the exceptions during process execution are monitored and solved using Lean and continuous improvement methods.

The Finance Control Center monitors core, extended and outsourced process performance, exceptions and service levels. Processes are completely web, workflow, and self-serve enabled; all the paper is finally gone.

Most of operational Finance is now managed in shared service centers with rich technology capabilities, talent development, and process management and performance protocols in a virtualized hub and spoke model. There have been big strides in event-driven and real-time information updates.

Global process owners direct continuous improvement teams that scan the Finance ecosystem for new process, technology and outsourcing opportunities.



The close is now continuous through visual and groupware-based close management tools. The advent of visual close-management tools, integrated sub-ledgers, daily time capture, workflow, and the near complete automation of consolidation, FX, allocation, intercompany and reconciliation tools has made a daily soft close. possible. In-memory processing has made it possible to simulate pre-close results with alert-based reporting and analytics.

CFOs will have the Finance factory working for them, now that transactional processes are fully automated

There are four main levers that influence, expand and disrupt the power of the Finance factory:

Enabling technologies – bolt-on applications that provide additional functionalities to support the process execution (e.g. E-invoicing, Robotics, EFCA solutions) – can dramatically expand Factory capabilities.

Monitoring tools analyze processes on a continuous basis to provide insight in how processes are executed as well as the outcome of those processes (e.g. real-time process analytics), can yield dramatic insight into the business and alert against cyber threats.

Autonomic platforms operating in interoperable environments provide reconciliation capabilities using (un)structured data from internal and external sources (e.g. social media).

Data collected from an evolved eco-system with deep cognitive skills, market trends and disrupters, and the expanding availability of external data (e.g. Internet of Things), can become powerful allies to a Finance function equipped to handle them.

Deloitte has built engagement delivery tools to help organizations assess their current maturity and navigate the course to the future.

Operational Finance is truly at the epicenter of an upheaval. Our interactions with global finance organizations lead us to believe that most of us are "sleepwalking" into this future of inevitability – with nearly 50% of the time currently still being spent on data extraction and modelling, leaving precious little time to decision support and catalytic change management. Our cross-industry benchmarks indicate that more than 60% of the time spent within the entire Finance function is spent on operational Finance activities. Many of these activities are still manual, where the median performer:

- Processes 23% of accounts payable vendor invoices automatically
- Processes 59% of accounts receivable customer remittances automatically
- Has automated 19% of total key controls

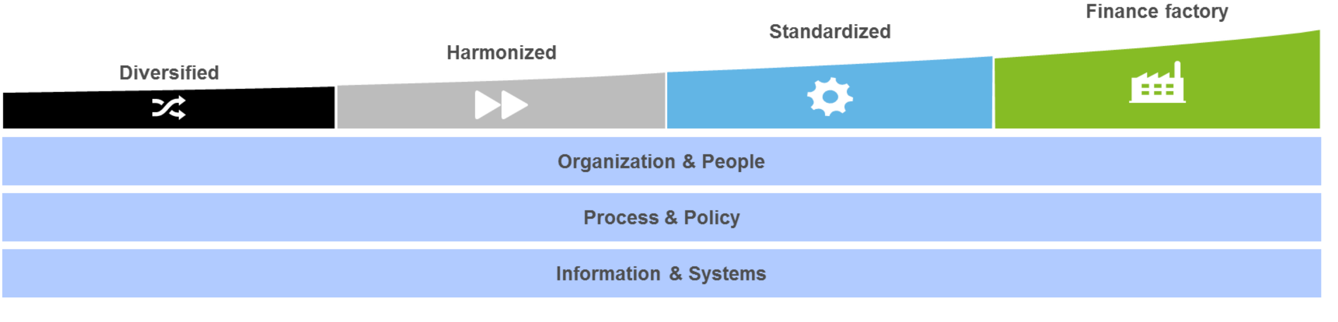
Sound familiar? Where does your organization sit on the evolutionary spectrum? Today, the role of the CFO is under greater scrutiny, internally and externally, and faces never ending pressure to cut costs, grow revenue and ensure control. Economic uncertainty, increased regulatory requirements, financial restatements and increased investor scrutiny have forced them into the spotlight. Given these factors, CFO turnover is on the rise.

Deloitte leverages a structured methodology to get to where you need to be.

1. **Establish the strategic direction** to understand the strategic vision of the company overall and to identify the goals and aspirations for Finance.
2. **Understand the foundation** to establish the as-is state of the business and benchmark against leading class, cross-industry organizations.
3. **Develop a vision** for the role of Finance to prioritize the objectives and set high-level performance targets.
4. **Define the target operating model** and identify the required change initiatives based on impact and effort assessments.
5. **Create a roadmap** with high-level business cases and establish a change and communication management framework.
6. **Implement change initiatives**, including making process improvements, rolling out enabling technologies, setting up robotics, and connecting monitoring tools.

Summary

Finance has a unique opportunity to seize the moment and move from a diversified culture to a Finance factory that embraces empowering technologies. That change has to start at the top. What is your company doing to prepare for the coming disruption?



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To find out more about how disruptive technologies are evolving the finance function, please visit us at www.deloitte.com/us/crunchtime