

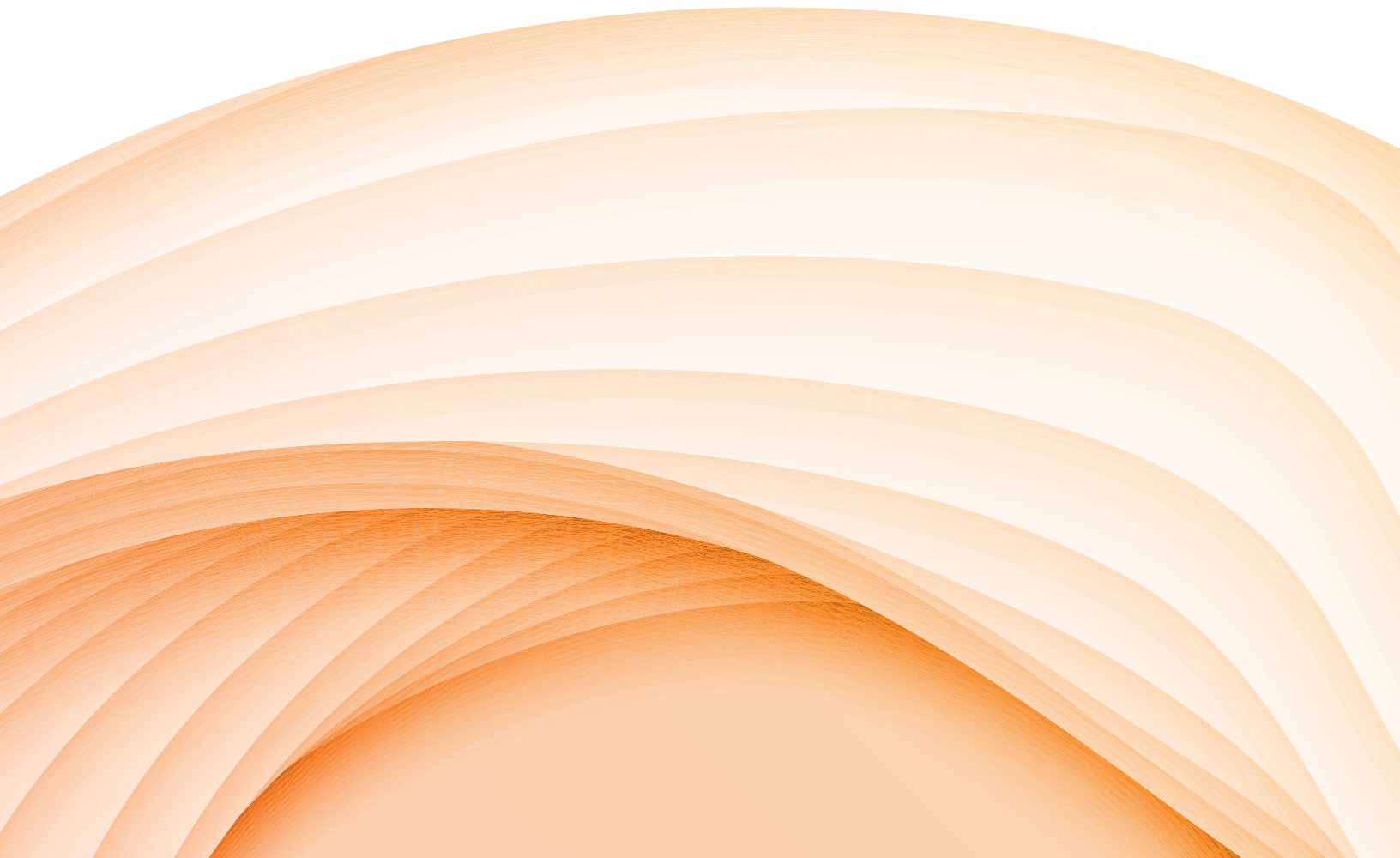


Association
of International
Certified Professional
Accountants™

AICPA® CIMA®

Agile Finance Reimagined

Reimagining finance for the new normal



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Increasing resiliency and growth

No crisis has been as challenging in recent memory as the COVID-19 pandemic, which has severely tested the strength of corporations and the business guidelines under which they operate. Even before the coronavirus, CFOs had begun designing more agile, resilient organizations with higher levels of digitization to better equip their finance teams to deal with today's rapid pace of change. That charter has been accelerated as finance leaders realize the limitations of outdated platforms in helping their companies innovate their way out of crisis and move to equip their employees with the digital tools they need to keep operations running.

To support this effort, the Association of International Certified Professional Accountants® (AICPA® and CIMA®) is producing *Agile Finance Reimagined*, a five-part webcast and white paper series offering CFOs practical advice on how to increase resiliency and growth not just in finance, but also in the lines of business that rely on finance to guide the way forward, including supply chain operations and customer experience. The series includes guest speakers from McKinsey & Company, who joined to share knowledge and insights from the firm's [body of research](#) on the novel coronavirus and its implications for business.

Agile Finance: Reimagining finance for the new normal

The third webcast in the [*Agile Finance Reimagined*](#) series, entitled “Reimagining finance for the new normal,” was broadcast in the United States, Canada, Europe, Asia, Africa and Latin America during the week of July 13, 2020, and was listened to by 2,200 finance professionals. The webcast identified the impact of continuous process automation within finance functions and the new digital skills finance professionals need to thrive in a digital economy, and examined how cross-functional collaboration in a tightly networked organization can improve business partnering.

Joining the Association’s managing director of CGMA Learning, Education and Development, Ash Noah (CPA, CGMA, FCMA) on the webcast were Michele Tam, a senior expert and associate partner of McKinsey’s Corporate Business Functions; Ivgen Guner, executive vice president of Global Business Finance, Oracle; and Christina Kite, vice president of Global Business Strategy and Analytics, Oracle.

“Even before COVID-19, you were seeing companies reimagining finance to adapt to this new norm, to this agile way of working. The pandemic has simply added fuel to the fire.”

Ash Noah, CPA, CGMA, FCMA

*Managing director of CGMA Learning, Education and Development
Association of International Certified Professional Accountants*

Setting the stage for reimagination

The inaugural webcast in the series, held in May 2020, examined how CFOs and their teams can navigate the COVID-19 crisis. Specifically, it focused on how finance leaders can boost the resiliency of their finance organizations and return their businesses to scale, mapping progress on a [five-stage cycle McKinsey developed](#):

Resolve — The organization addresses the immediate challenges COVID-19 represents to its workforce, customers, technology and business partners.

Resilience — The organization handles near-term cash management challenges and broader resiliency issues as a result of virus-related shutdowns.

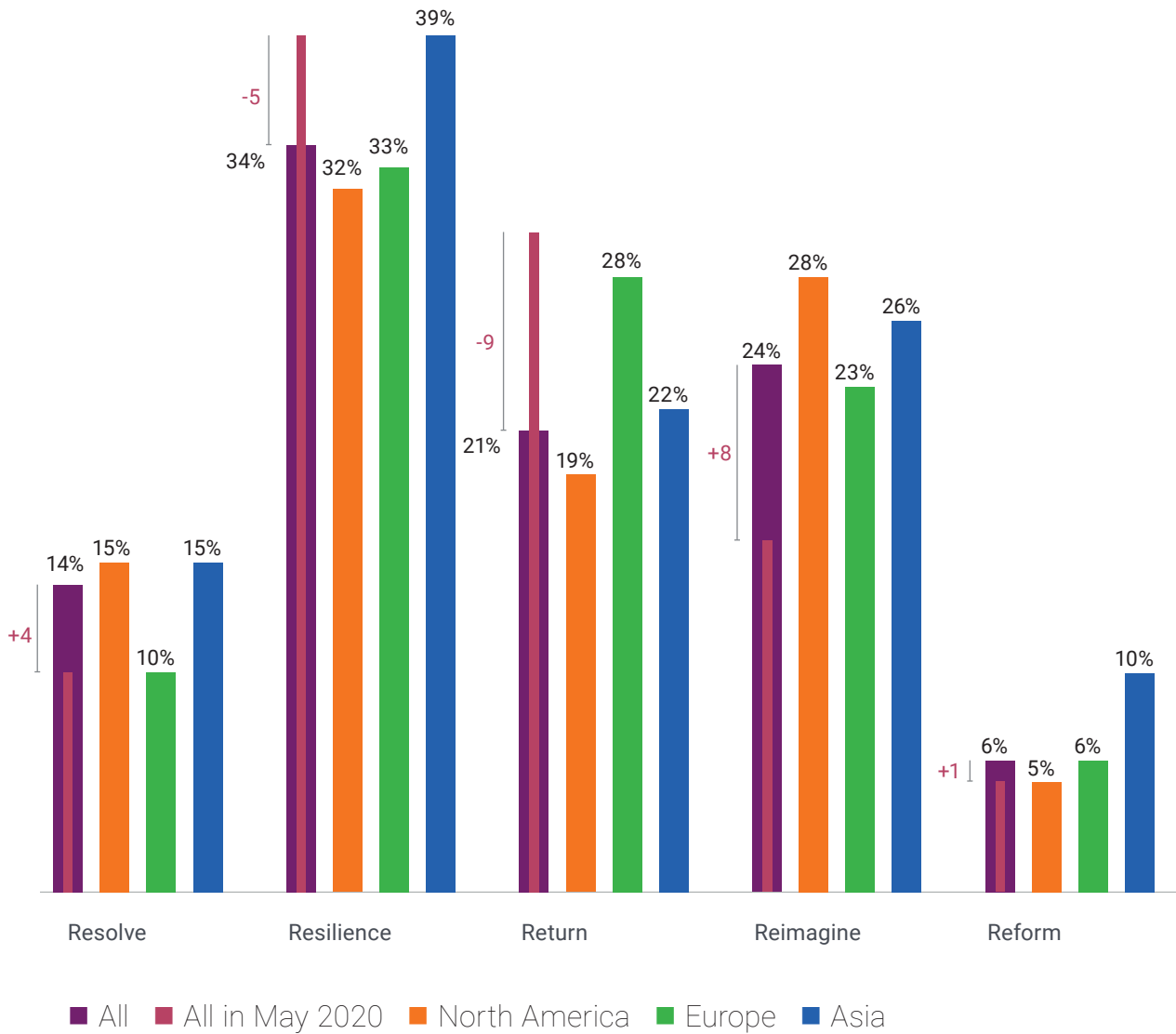
Return — The organization draws up a plan to return the business to scale after shutdown orders are lifted.

Reimagination — The organization envisions the “next normal,” including what a discontinuous shift looks like and implications to guide how the institution should reinvent.

Reform — The organization develops a detailed understanding of how the regulatory and business environments may shift as a result of COVID-19 and a long-term plan for adapting to these changes.

In a poll conducted during the first webcast in May, a majority of respondents identified themselves as being in either the resilience phase (39%) or the return phase (30%). Only 16% said they were in the reimagine phase. In mid-July, when polled again during the third webcast, the number of respondents in the return phase dropped to 21% while the number in the reimagine phase rose 8-percentage points to 24%. This indicates that organizations are moving out of recovery and are focused on finding new and innovative ways to drive business success in the new normal.

Figure 1: Based on the McKinsey framework where would you map your company today (as of July 2020)



Finance's new normal: A value-first approach

While the global impact of COVID-19 is still evolving, this much is clear: finance functions have been forced to deliver more value to the business, beyond simply driving down costs. “We are seeing that shift from finance being focused on efficiency to effectiveness,” said the Association’s Noah. “Whereas unit costs used to be the key metric, more organizations are transitioning toward a value-first approach.”

How can finance organizations successfully make this shift? “Finance leaders need to think and act across all five of the horizons using a team-of-teams approach,” said McKinsey’s Tam during the third webcast. “Start by creating a nerve center that centralizes thinking and expertise across the organization to plan and execute against all five horizons, as opposed to having resources siloed.”

“We believe that leaders, especially in finance organizations, need to think and act across all five of the horizons using a team-of-teams approach. Start by creating a nerve center that centralizes thinking and expertise across the organization to plan and execute against all five horizons, as opposed to having resources siloed.”

Michele Tam

*Associate partner, Corporate Business Functions
McKinsey & Company*

Automation is a key driver of this transition, freeing up finance to reimagine how it will support new business models and ways of working in a post-COVID-19 world. Tam cited McKinsey’s [2018 CFO Survey](#), which showed that a very high percentage of finance activities are automatable. The survey found that by automating transactional, rule-based tasks such as general accounting operations, cash disbursement and revenue management, employees have more time to focus on less predictive activities, including external relations and business development, as well as the strategic portions of financial planning and analysis (FP&A), which rely on interpersonal relationships and human intelligence.

To empower their teams to incorporate automation across the business, finance leaders should embrace and champion digital technologies and the benefits they bring, Tam noted during the webcast. This isn’t possible to accomplish in a vacuum, however. Implementing even incremental improvements requires investment, time and buy-in at the organizational level.

During the webcast, Tam also advised CFOs to consider prioritizing quick wins while developing long-term plans for how digitization can transform their organizations. This includes pursuing activities that add clear-cut, short-term value first in order to encourage employee adoption before investing in long-term automated solutions.

Making the shift to automation

According to McKinsey's Tam, there are two main shifts companies can make in order to leverage automation to its fullest:

Shift #1: Adopt an agile finance operating model

"We're starting to see leading organizations move away from the traditional three-part operating model," Tam observed during the webcast, a format that typically consists of transactional activities within shared services, centers of excellence for higher expertise activities, and teams of FP&A staff embedded within individual business units.

In its place, some organizations are transitioning toward an agile operating model, which allows finance staff to tackle projects using shared resources. This is supported by automating transactional tasks across the organization, reducing the need for finance staff to focus on rote, repetitive work. "What might have been 50% of finance staff in the past starts to become much smaller, in terms of the number of finance employees that are involved," Tam said.

Agile finance organizations are then moving more activities formerly owned by siloed business unit FP&A into centers of expertise in areas such as revenue, analytics, forecasting, expense management and even balance sheet and liquidity management, to allow those skill sets to be deployed and accessed as needed and driving improved consistency across the enterprise for approaches to these activities. Organizations are then shifting the remaining business unit FP&A resources to leave just a thin layer of "finance value leaders" dedicated to a single business unit and moving toward developing a pool of FP&A "problem solvers" who can be allocated to work on high-priority projects across the enterprise as needed.

Shift #2: Build finance capabilities for the digital age

As organizations change, so too do the skills required of employees. As more teams adopt a digital-first approach, they should hire for and foster the following foundational skills, all of which are predicated on the ability to balance finance acumen with technological ability:

1. **Shaping value creation:** The ability to seamlessly use and interpret data analytics, generate business insights and shape strategy.
2. **Ensuring high financial performance and economic health:** The ability to lead, set a clear agenda and influence business partners to select courses of action that align with the organization's goals. This skill set requires an understanding of the various performance levers within an organization in order to own its business model.
3. **Managing multiple stakeholders and processes:** The ability to manage multiple stakeholders across an organization through a horizontal management structure drives process excellence and understanding the available data and tools that exist within various units.

Oracle’s vision for finance automation: The Finance Continuum

The Finance Continuum is a Finance Maturity model being developed by Oracle that allows companies to assess their current state and, based on dimensions of maturity, move towards a desired state of technology and capability. Once in this state, organizations can harness and analyze a myriad of available data points (from world economic indicators to information on social media to assets from the Internet of Things) and then generate actionable insights to inform business decisions on a near real-time basis.

The approach combines business operations, financial data and management reporting to enable businesses to move “at a speed that we’ve never seen before,” Oracle’s Kite noted on the webcast. For COVID-19, the approach could help predict disruptions in the supply chain and provide finance leaders with possible actions to take in response. “Even though they may not be able to save the quarter, can they look out ahead to the next quarter or the full year and really help the organization avoid that type of risk?” Kite said.

Figure 2: Tomorrow: The Finance Continuum



"[These] transactions are being done by the machine," Kite continued. "The use of AI, machine learning and other technologies help enable what we call touchless transactions. When less time is being spent in the accounting area, more time can be spent on forecasting and being that scout for the business." Finance teams, in other words, move from reporters to translators and, finally, decision-makers and change agents – roles that extend from internal operations to external actions.

An executive sponsor of the Finance Continuum project at Oracle, Guner believes the model can take even sophisticated finance teams to the next level, moving them from strategic advisers to co-pilots who co-create enterprise value. At this next level, finance is truly making the decisions that drive better outcomes for the business.

While the investment is substantial, so are the benefits: Oracle now takes 12 days to close its books and report earnings. Thanks to narrative reporting, automated reconciliations and other transactional capabilities, the organization is moving toward a one-day close cycle, "which is basically an automated close," Guner said.

"When less time is being spent in the accounting area, more time can be spent on forecasting and being that scout for the business."

Christina Kite

*Vice President, Global Business Strategy and Analytics
Oracle*

Planning for uncertainty: Performance management under COVID-19

As the pandemic continues to affect the global economy, FP&A organizations have realized previous ways of planning and forecasting aren't working in today's fast-moving environment. [According to research from McKinsey](#) on performance management under COVID-19, FP&A organizations should consider institutionalizing some of the strategies the crisis may have forced them to adopt:

- Shifting to shorter planning cycles
- Increasing emphasis on scenario planning, which includes understanding underlying business drivers
- More frequent reviews of KPIs and a deeper analysis of trigger points that indicate a change, either positive or negative
- The use of zero-based budgeting models for better resource reallocation
- Empowering FP&A to act as a sentinel for recovery and resilience
- Implementing automation and empowering finance teams to assume the role of strategy partners and value managers

Webcast participants were polled on which of these strategies they had implemented or were considering adopting as a result of COVID-19. The top three strategies identified were:

- Increasing the emphasis on scenario planning of underlying business drivers (23%)
- Exploring automation to free up time for finance to be strategy partners and value managers (21%)
- More frequent reviews of KPIs and trigger points with greater frequency (18%)

More than 17% of responses indicated these strategies were not implemented or adopted to date.

Oracle's Guner shared how her organization had already embraced many of McKinsey's strategies to turbocharge the FP&A organization, using Cloud ERP, EPM and Analytics to standardize forecast models and automate reporting using consistent and automated baseline data. That automation effort left the company well situated when COVID-19 hit, allowing Guner and her team to deliver daily updates and forecasts to management for rapid crisis decision-making.

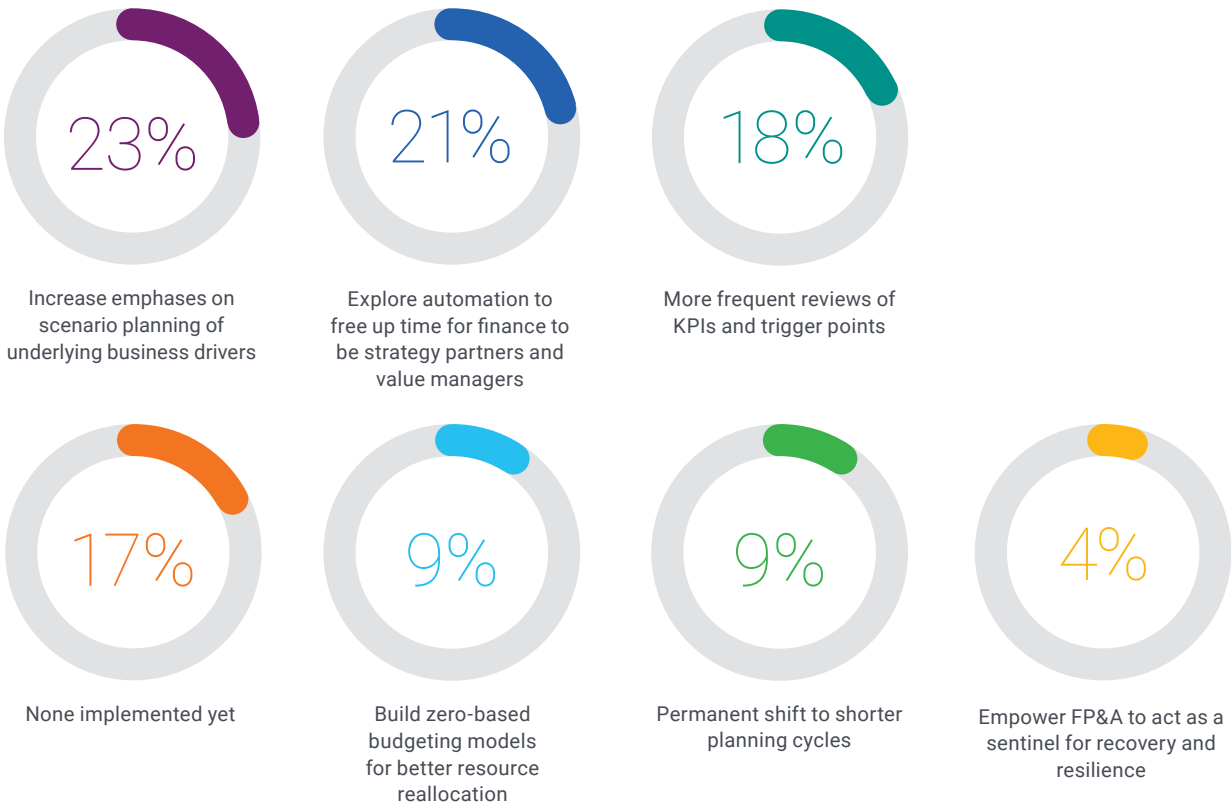
"We have taken the planning cycle from a linear approach to continuous forecasting and planning scenarios," Oracle's Guner said. "Business planning is now an integrated part of our entire forecasting process." The result is a more accurate forecast by removing the bias through a data-driven approach, which allows organizations to manage risks and opportunities better, as well as provide more transparency and controls.

"We have taken the planning cycle from a linear approach to continuous forecasting and planning scenarios. Business planning is now an integrated part of our entire forecasting process."

Ivgen Guner

*Executive Vice President, Global Business Finance
Oracle*

Figure 3: Which strategies are you implementing now or considering?



Note: The percentages in the chart denote the percentage of total responses, rather than the percentage of respondents who selected a given item. Participants could select any number of items.

How to turbocharge the role of FP&A

COVID-19 has thrown the world into uncertainty. In response, businesses should convene agile teams of problem-solvers who can work across the organization. “Really try to steer those scarce analytical, strategic, problem-solving resources and skill sets to the priorities that matter,” McKinsey’s Tam noted during the webcast. “This is the critical time to make sure that you’ve got those skills in the right places.”

When financial acumen is in short supply, the FP&A team should reach out to others within the organization who possess relevant skill sets, including leaders in adjacent functions such as operations and marketing who might have previously spent time in FP&A.

Given the uncertain labor market, this may even be the time for companies to hire additional FP&A leaders.

“There’s no substitute for actually investing in FP&A capabilities,” Tam noted during the webcast. “The companies that really want to get it right need to prioritize FP&A talent development higher on the list of organization priorities.” Tam says this will generate the appropriate support for making decisions in both good times and in times of crisis.

“The companies that really want to get it right need to prioritize FP&A talent development higher on the list of organization priorities.”

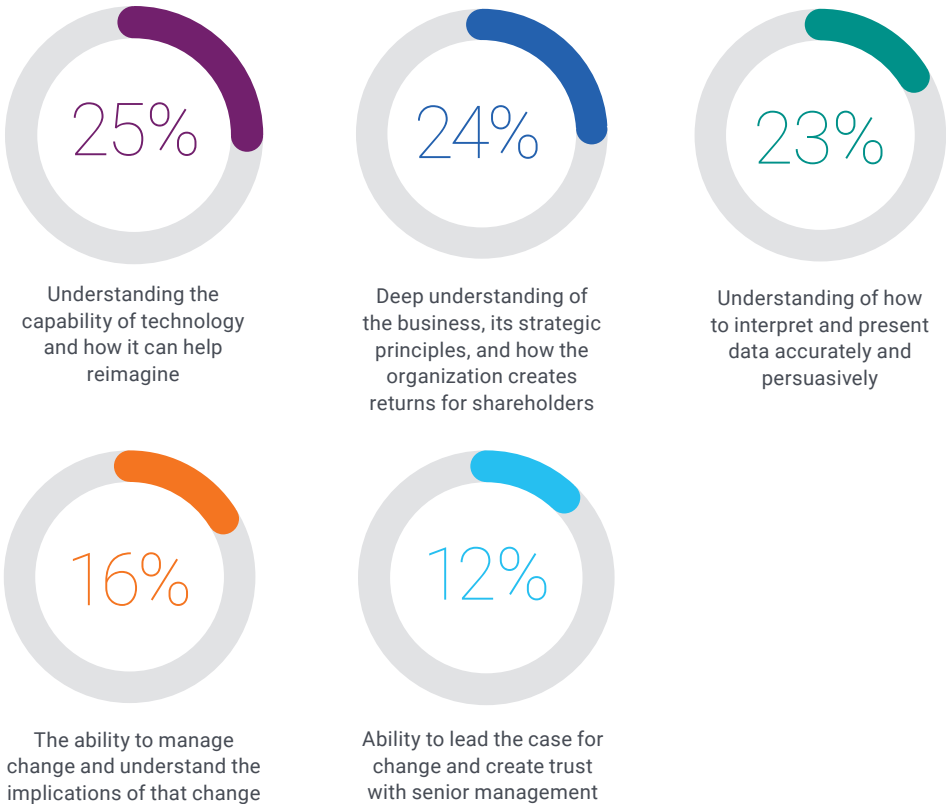
Michele Tam

*Associate Partner, Corporate Business Functions
McKinsey & Company*

As part of the poll during the third webcast, the Association asked participants which qualitative skills were being prioritized to help their FP&A teams raise their game in the digital age. Responses were split almost evenly:

- 25% cited the need to understand the capability of technology and how it can help reimagine FP&A
- 24% cited a deep understanding of the business and its strategic principles, and how the organization creates returns for shareholders
- 23% cited an understanding of how to interpret and present data accurately and persuasively

Figure 4: As automation takes hold in finance, which qualitative skills are you prioritizing to help your FP&A teams raise their game in the digital age?

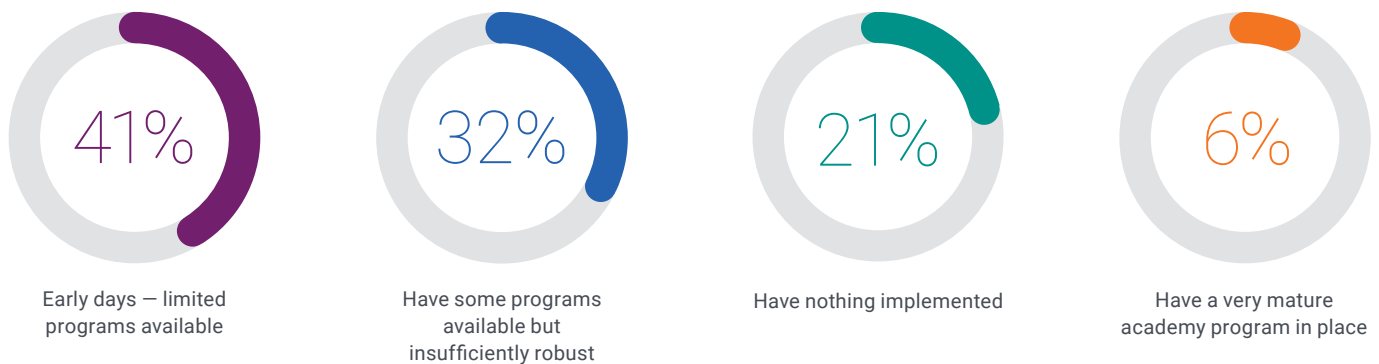


How to build talent to meet the new needs of finance

Co-creating enterprise value requires a range of diverse, future-facing skills. While these can be acquired through hiring, they can also be fostered internally. Oracle, for example, has developed a Global Business Finance Talent Academy to upskill its teams but remains in the minority when it comes to institutionalizing finance skill development. According to the poll conducted during

the webcast, 62% of respondents said they either had no training programs or very limited programs in place. While 32% said they had some resources established, they noted these resources were insufficiently robust. Only 6% characterized their skill-building program as mature.

Figure 5: Where are you today in terms of building or implementing future skills for finance professionals?



To provide webcast listeners with a playbook, Oracle's Guner shared the four key skill sets that FP&A organizations should develop to deliver better outcomes for the business and respond more effectively to today's unpredictable times:

1. Broad expertise across multiple functions

An understanding of the systems and levers that make up a business function, including HR, marketing, operations, IT and product development. Understanding how units impact one another enables leaders to visualize how a single decision can impact the entire organization.

2. Deep technology expertise

Expertise in both the financial and IT disciplines. Individuals in this rule must be "digital technologists," Guner said, with a deep understanding of the technology tools available to them.

3. Strategic thinking

The ability to see and help senior executives understand an organization's competitive advantages and how to capitalize on them. This could include building a decision-making framework for determining which investments, experiments and risks make good strategic bets, versus those that should be passed over.

4. Visionary leadership

The ability to articulate a compelling and inspiring vision for the future, assemble influential stakeholders, address resistance to change and build momentum.

Next steps for businesses

Identify where your team sits on the Finance Continuum.

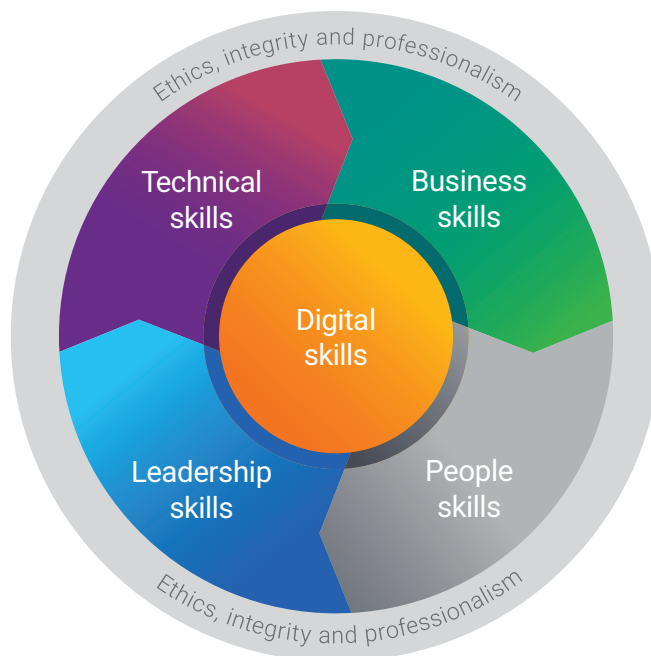
What stage are you in, and what changes – to culture, workforce skills, internal processes – are required to level up?

Leverage automation to create efficiencies and free up staff focus on insights and analysis. Automation enables progression on the continuum, freeing up employees to focus on high-value work. Do an audit of operations: How can technology streamline the process by transitioning manual tasks to touchless transactions?

Hire people with the right skill sets and invest in training. Again, change in an organization starts and ends with its people. Consider the skill sets your team needs not just to perform today but to thrive in the future, and then develop hiring and upskilling programs that reflect those skill sets.

These are subtle, complex calculations. To help organizations identify candidates who meet these requirements or upskill current employees, the Association has developed the open-source [CGMA Competency Framework](#). This resource was developed with feedback from thousands of finance leaders worldwide and provides a roadmap to help leaders develop the technical, business, people, leadership and digital skills required for the future. The [CGMA Finance Leadership program](#) is based on this framework and offers an online, personalized learning experience for finance professionals. As you progress through the learning, the core competencies transition from technical proficiencies to the business and leadership expertise needed to become a strategic finance leader.

Figure 6: CGMA Competency Framework



About the Agile Finance Reimagined Series

Agile Finance Reimagined is a five-part webcast and white paper series brought to you by Oracle and the Association of International Certified Professional Accountants (AICPA & CIMA).

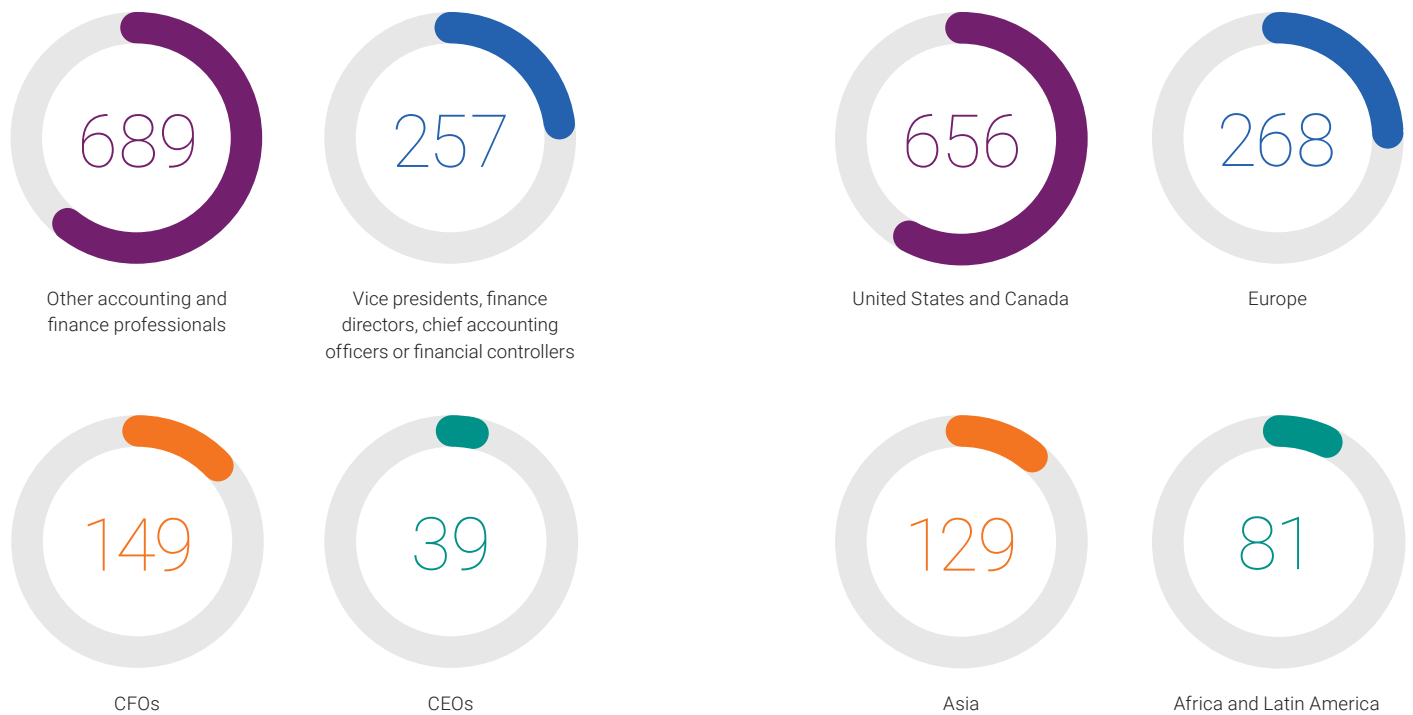
View the following for the full story:

- Part 1: "[Building finance resiliency and returning the business to scale](#)" on-demand webcast and white paper
- Part 2: "[Reimagining and reforming the business](#)" on-demand webcast and whitepaper
- Part 3: "[Reimagining finance for the new normal](#)" on-demand webcast and whitepaper

About the Agile Finance research

On "Reimagining finance for the new normal" webcast, broadcast in July 2020, attendees were asked to submit responses to four pulse questions. Each question garnered between 1,099 to 1,134 responses. The following is a breakdown of the 1,134 respondents:

Figure 7: The following is a breakdown of the 1,134 respondents



About the Association of International Certified Professional Accountants

The Association of International Certified Professional Accountants (the Association) is the most influential body of professional accountants, combining the strengths of the American Institute of CPAs® (AICPA) and the Chartered Institute of Management Accountants® (CIMA) to power opportunity, trust and prosperity for people, businesses and economies worldwide. It represents 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. With broad reach, rigor and resources, the Association advances the reputation, employability and quality of CPAs, CGMAs and accounting and finance professionals globally.

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