functions with the company's overall strategy and acquiring the talent that will enable them to fulfill their ambitions. And in this issue of CFO Insights, we'll discuss what research reveals about the finance function of 2025, the strides finance leaders can take to add maximum value in an emerging digital world, and why CFOs should be energised by the journey ahead.

Finance 2025. Are you ready?

As the drumbeat of digital transformation grows louder, CFOs are stepping up to serve as designers of the future finance function. While digital technology has just begun to exert its impact on performance, forward-looking CFOs can already envision the potential payoff in implementing automation, embedding sophisticated analytics, and exploring new technologies such as blockchain and machine learning—a payoff that extends far beyond just cost savings.

Those same technologies promise to fundamentally change the role of the CFO, as well. Supported by ever richer data sets and increasingly sophisticated analytical tools, finance leaders of the future will have to nurture new capabilities—in themselves and in others—to navigate the function through a fast-paced, technology-driven environment where strategy and growth consistently remain moving targets. In fact, in Deloitte's third-quarter 2018 CFO Signals™ survey, almost two-thirds of CFOs (63%) said that the time allocation of the finance workforce in three years will likely shift toward analysis, prediction, and decision support.¹

Accepting the need to adapt is the easy part of the challenge, however. Executing on that awareness requires CFOs to take on difficult tasks, such as aligning their functions with the company's overall strategy and acquiring the talent that will enable them to fulfill their ambitions. And in this issue of CFO Insights, we'll discuss what research reveals about the finance function of 2025, the strides finance leaders can take to add maximum value in an emerging digital world, and why CFOs should be energised by the journey ahead.²

The CFO Programme
Finance 2025. Are you ready?

Adding value in a digitised economy
It’s now a given that, in the future, a certain type of CFO will become obsolete. The number-crunching recorders of historical performance data weren’t built for an era where finance leaders have access to real-time data, along with the technology that can turn voluminous data into actionable insights.

But CFOs can’t prepare to make that leap without first gaining a solid grasp of what underlying technological shifts are necessitating the transition. A host of megatrends—all of them familiar to finance executives to one degree or another—are driving digital strategy:

- **Exponential growth in data.** Structured and unstructured data can now be analysed for insights and utilised to drive decision-making—a capability that will need to be maintained as data continues to proliferate. Robotic process automation, in combination with machine learning, can perform analysis and create model scenarios. By analysing aggregate data, finance can study new dimensions of performance and carry out predictive analysis.

- **Lower computing costs.** With the growing acceptance of the cloud, companies can access computing power often at a lower cost than before. In fact, finance can streamline transactional activities by utilising the cloud, gaining additional time to focus on strategy. Companies can also use the cloud to gain access to cognitive technologies like artificial intelligence (AI), avoiding the cost and risk of acquiring it on their own. Little wonder that a recent survey of IT and line-of-business executives found that 57% of respondents were already doing so, while 37% expect to start in the next two years.¹

- **Smarter algorithms.** Algorithms have gained the capacity to drive innovation and communication, as well as change how finance drives value across the organisation. For example, we’ve seen companies leverage algorithmic forecasting to substantially improve annual and quarterly forecast accuracy—with less variance and in a fraction of the time traditional methods require—while building their predictive capabilities in the process.

- **Faster processing speed.** Millions of transactions can now be handled in real time, with data extracted and fed into finance processes, where they can be used to analyse working capital and produce sales projections free of human bias and error. The use of AI can help improve and accelerate decision-making.

For CFOs, it’s crucial to think through how “digital transformation” will unfold—in regard to their companies and their own roles—and how finance can support the digital model that results from the convergence of these megatrends. They should also consider how they can digitise the finance function by implementing cutting-edge technologies (such as blockchain) to decrease costs and increase insights. By weighing the potential and power in mixing such foundational technologies to drive value—with increasing efficiency, as the technologies mature—it’s possible to get closer to the model of the finance function that will exist in 2025.

The shape of finance to come
Just how will the finance function operate differently in 2025?

New technologies, in addition to familiar ones that have taken on new forms (see sidebar, “Familiar terms, changed meanings”), will lead to dramatic organisational shifts. For example, digital technology promises to free up capacity, enabling finance to become more integrated with the business—and leading the business to increase its expectations for finance. Real-time processing may push finance organisations to become flatter and more agile, designing and driving change throughout the business. Finance, once reconfigured, will need to reevaluate how and where work gets done, considering alternative talent and tools. The migration to the cloud will also drive the need for microservices to integrate more rapidly and in real time with other enterprise platforms, such as human resources (HR), performance management, and analytics. The emergence of greater and more robust microservices will create new and unique ways to drive value in finance, and finance teams will focus more on providing leaders with the information they need to make smarter and speedier decisions.

Familiar terms, changed meanings
For every unfamiliar “blockchain” and “chatbot” technology, the finance function of 2025 will also be characterised by familiar concepts that have undergone dramatic changes:

**Enterprise resource planning (ERP).** The ERP landscape is undergoing dramatic change, moving from a focus on data capture and data storage to more of an enterprise performance management platform that enables identification and tracking of KPIs and profitability analysis. The migration to the cloud will also drive the need for microservices to integrate more rapidly and in real time with other enterprise platforms, such as human resources (HR), performance management, and analytics. The emergence of greater and more robust microservices will create new and unique ways to drive value in finance, and finance teams will focus more on providing leaders with the information they need to make smarter and speedier decisions.

Data. With the exponential growth of enterprise data and the proliferation of application program interfaces, companies will face the challenge of cleaning up data and aligning it in a way that drives value and enables analysis not only for finance, but also for the overall business. As finance takes control of the data, the function will continue to face persistent challenges in maintaining data quality and creating robust yet efficient governance, especially as data sets grow. From a workforce perspective, organisations will seek to hire data evangelists, capable of breaking down silos to enforce collaboration and data sharing across teams.

**Workforce/workplace.** The combination of so many dramatic changes will transform the role of employees within the finance organisation. Talent models will drive more work toward data science, business analytics, and storytellers within finance organisations, as well as the use of “gig” workers (see “Decoding millennials in the gig economy,” Deloitte Insights, May 2018). As the nature of work transitions broadly from routine duties to knowledge-based responsibilities, finance employees will need to develop a customer-service mentality and create opportunities for collaboration outside of finance.
Finance 2025. Are you ready?

models and looking for opportunities to integrate robotic systems into the workforce.

What follows is a handful of predictions about how the finance function of the not-so-distant future might be organised, the activities it could perform, and how it might further evolve.

1. The finance factory. Once end-to-end automation is implemented, manual processes and rework within finance will disappear. The result: a shift from finance as a “function” to that of a factory, conducting touchless and seamless transactions. As traditional processes vanish, so will the silos containing them, eliminating the traditional hand-offs in transaction processing. The focus of finance will shift to design, configuration, and maintenance of systems.

2. The role of finance. With operations automated, finance’s focus will change to supplying business insights and helping provide differentiated service to customers by serving as catalysts and strategists. Finance also will be expected to provide more scenario planning while also using advanced analytics to help address problems and improve predictive capabilities.

3. Finance cycles. Periodic reporting will be replaced by technology designed to enable the continuous tracking of sales, cash flow, and inventory levels to better drive strategic and operational decisions. Eventually, finance will be tasked with monitoring the machines and reconciliation processes that are running continuously. This transformation of finance will also require the function to change its mix of talent.

4. Self-service. The proliferation of digital assistants, chatbots, and other digital tools will make self-service the way of the future in finance. For example, an FP&A executive will be able to pose queries to a chatbot, asking for the outstanding accounts receivable (AR) balance. The chatbot will query various databases and large datasets—structured and unstructured—and relay the findings to visualisation software to create a dashboard illustrating the results. Fueled by clean and reliable data, self-service tools will necessitate cross-platform security models, as well as the need for a seamless user experience.

5. Finance operating model. As robotic process automation and algorithms contribute to an already diversifying workforce, finance will be characterised by an increased level of human/machine interaction. As a result, new service-delivery models will emerge.

Which one of these expectations do you think is most likely to be true for your organisation in the year 2025?

- 13% The finance factory – Transactions will be touchless as automation and blockchain reach deeper into finance operations
- 20% Don’t know/Not applicable
- 10% Self-service – Self-service will become the norm. Finance will be uneasy about this
- 36% The role of finance – Finance will double down on business insights and service when operations are automated
- 21% Finance cycles – Finance goes real time. Periodic reporting will no longer drive operations and decisions—if it ever did

Number of responses: 4,222

Note: Responses may not equal 100% due to rounding.


How CFOs can prepare for 2025
CFOs don’t need to fully grasp 2025 to prepare themselves—and their functions—for it. Any vision of the future, after all, should be grounded in a deep understanding of the present. Applying such a mindset means that there are some future-oriented questions that can be addressed now, such as:

Will any of these technological breakthroughs happen sooner than others? Emerging technologies can often appear to be maturing at the same rate, threatening to overwhelm finance leaders. Not long ago, cloud, mobile, and Big Data seemed to be joined in a giant wave; now, cognitive technologies, blockchain, and advanced analytics appear to occupy the same spot on the horizon. But while each individual technology will advance within the next five years, they won’t simultaneously arrive at the point where they can contribute to the finance function’s ability to create value. Consequently, the best way for finance to get ready to implement any and all transformational technologies is to work toward mastering its ability to analyse data.

How should CFOs prioritise?
Given their insight into business drivers, CFOs can evaluate investments using that lens. What’s the opportunity cost of ignoring all the talk about chatbots? Which technology opportunity is most closely aligned with the company’s goals and can be integrated into enterprise-wide strategy? For many companies, leveraging analytics is key to remaining competitive. It’s also crucial to weigh whether finance has the capabilities—such as access to the necessary skills—to capture full value from an investment. The ideal technology roadmap should balance the need to address existing gaps with that of achieving maximum return on investment.
What are the implications for investments? “Digital transformation” serves as handy shorthand, but it doesn’t fully describe the series of experiences involved in rethinking end-to-end processes. As owners of the budgeting process and decision-makers in determining asset allocation, it’s up to CFOs to devise and promote the route to digital transformation that best serves the business. Finance might choose to allocate resources based on the company’s most valued competitive differentiators. They may want to identify pockets where digital technology can produce near-term results while also evaluating investments that will help create a broader ecosystem to support long-term transformation. Additionally, they also need to be strategically selective, balancing leading-edge technologies with those of sufficient maturity to perform reliably. By methodically matching investments in technology with those in talent, finance leaders may also unearth payoffs in the form of improvements in agility and efficiency.

What transformation will CFOs undergo? As CFOs consider how to prepare for the likely changes that 2025 will bring, they might also reconsider their own roles. They’ll need to hone their leadership skills, adjusting to managing a diverse group of employees in different geographies. They still have to find ways to keep the current business growing—even as they are leading the charge to reinvent it. The managerial challenges of enabling digital transformation can be invigorating, as CFOs apply their new skills—ranging from technical knowledge to strategic thinking—to move beyond serving as the company’s devoted tracker of numbers. In the process, they are becoming the catalysts and strategists that their future finance function demands.

Endnotes

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