

# The changing role of finance

Rethinking the operating  
model and the value of  
eco-systems

July 2021



Building a better  
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# Executive Summary

Finance is being disrupted by several megatrends at the same time as stakeholder expectations are increasing.

To meet these new demands, Finance will need fewer, more highly skilled, location-agnostic professionals, supported by new platforms and partnerships.

We explore the disruptions, the new operating model this requires, and the steps CFOs should take.

In the past operating model decisions have traditionally been dominated by scale and cost, balancing business expectations with efficiency considerations. The CFO now needs to rethink the operating model in the context of platforms, partnerships and people.

As the market leader in tax and finance operations, EY's 5,000 finance professionals can help identify and implement the best operating model for your business and deploy our global tax platform to speed up delivery of benefits.

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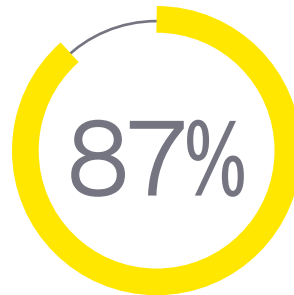
## Megatrends impacting Finance

### Changing role and greater expectations of Finance

Businesses are increasingly looking to Finance to play a role beyond accounting and controlling, and provide analytical capability and business insight to support decision making.

For example, Finance is increasingly supporting Marketeers to predict the impact of specific advertising campaigns and below-the-line promotions on sales. With many companies establishing new sales channels, routes to market and digital services, this trend will only accelerate

Finance is also having to meet the demands of shareholders who are looking for short-term financial performance, social responsibility, sustainability and long-term value. There are also increasingly complex regulatory requirements from governments, stock exchanges, and tax authorities and Finance is on the front-line for reporting to these stakeholders.



of CFOs believe they will need to put in place new support structures with additional skills if they want to be effective in the future.

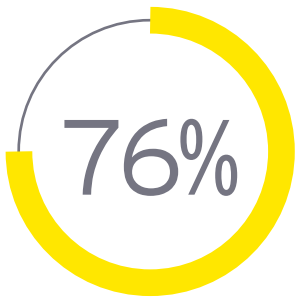
# Technology development and digital disruption

## The future of work

Developments in Enterprise Resource Planning (ERP) systems and emergence of disruptive technologies, such as automation has provided the opportunity for Finance to offer the same level of service with fewer people. In parallel, new possibilities around data analytics go beyond just financial performance, and are relevant for the wider enterprise. Businesses typically look to Finance professionals to manage and interpret the data because of their numerate skill set.

There are also external drivers for technology change and digitisation; e.g. tax authorities around the world are shifting to digital submission and reporting, and many ERP providers are stopping support for their older on-premise versions, creating a burning platform for companies to upgrade.

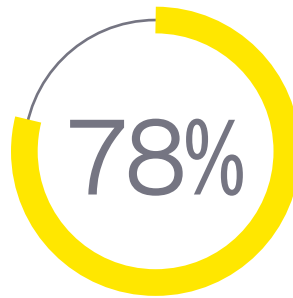
All these factors have an impact on the operating model. The cost of labour is having less influence on the decision of where to place Finance centres. The prevalence and fast-changing nature of disruptive technologies means that sourcing appropriately skilled people becomes more of a focus, and outsourcing can become more attractive as the 3rd parties can have greater capability to be more agile and able to keep up-to-date with the evolution of new technologies.



of CFOs believe that the accelerated pace of technology change over the last two years has had a significant impact on the role and shape of Finance.

As the role of Finance changes, the skills and competencies of Finance talent need to shift, as businesses seek out people with a greater level of technology or digital capability. This means that a proportion of Finance talent of the future may not come from the traditional accounting background. Instead Finance business partners may come from technology or data driven disciplines, such as Economics or the Sciences.

In addition, jobs will need to be made attractive for the talent of the future. Where traditionally, there was an expectation that all Finance employees would be office-based, this policy has been turned upside down through the COVID-19 period. Finance and SSC leaders must reconsider what the “new normal” means for their workforce.

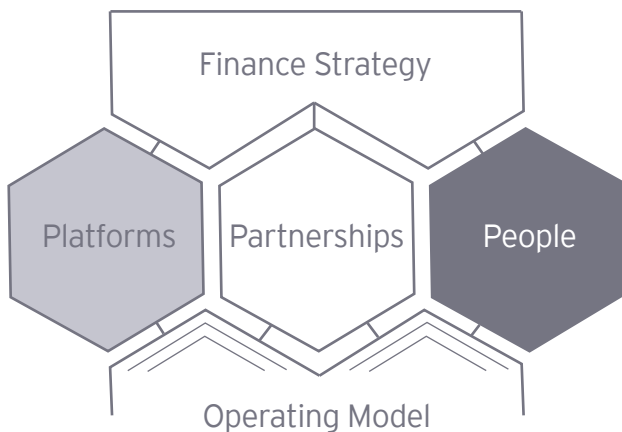


of CFOs think they will increasingly partner with external parties to provide finance processes, sub processes or activities requiring specialised knowledge and technology, such as Tax and Treasury.

# 2

## What this means for the CFO

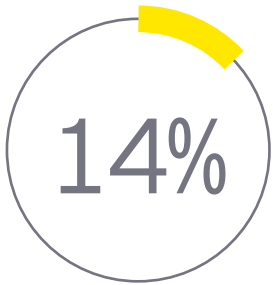
Looking ahead, Finance will need fewer, more highly skilled, location-agnostic professionals. Therefore, to create the finance function of the future and address these disruptors, the CFO now needs to rethink the operating model in the context of platforms, partnerships and people.



**Platforms** relates to the technologies used and how these are integrated, deployed and secured into the ecosystem to drive competitive advantage. Key considerations to determine the strategy:

- What are you trying to achieve from the technology platforms; e.g. balance between pure cost efficiency versus control versus analytics capability, etc?
- What is the underlying technology platform (ERP) and what is the benefit and appetite to change?
- To what extent will bolt-on solutions be leveraged to drive opportunity for efficiency, effectiveness, self-service, etc?
- How is this integrated across Finance incorporating stakeholders, customer needs and user experience?

Regardless of the ERP system, more and more companies are choosing to overlay complementary technologies such as Optical Character Recognition (OCR), RPA, machine learning, and self-service solutions to increase efficiency and user experience.



The most recent DNA of the CFO survey shows that e-Invoicing (14%), business intelligence (13%) and document imaging (13%) are the 3 most popular solutions being adopted in Finance.

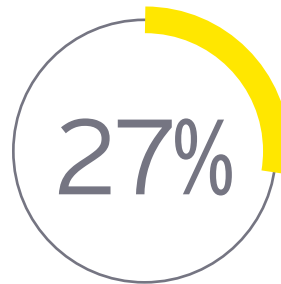
For example, a Consumer products company with an advanced Global Business Services operating model has an ecosystem of bolt-on solutions in conjunction with its SAP S/4 HANA platform including RPA, intelligent Optical Character Recognition (OCR) and achine learning

An global manufacturing company chose not to replace its ERP, but instead upgrade it to the cloud version and invest in a service management tool, RPA, Optical Character Recognition (OCR) and accounting automation software to drive the required step change in efficiency and effectiveness

**Partnerships** describes the external experts you work with to do the jobs that are not strategically important or provide the expertise you do not have. Key considerations:

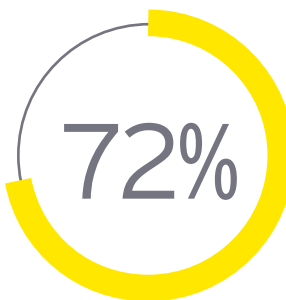
- a. What can and should be outsourced?
- b. Where can you employ partners to support key skills e.g. Tax, Treasury?
- c. Where can non-finance skills be supported e.g. projects, automation?
- d. What is the right commercial framework to achieve the outcomes you want?
- e. How do you ensure robust governance?

Whilst there is no one size fit all, and different organisations are adopting different strategies to work with Partners; in general we are seeing businesses increasingly adopt a hybrid model - having blended insourced and outsourced service provision dependent on cost, risk, skills availability, and the value to the business for that service. There is also a rise in the use of "Vested methodologies" to create third party support contracts that incentivises both parties to drive efficiency and reduce FTE with the use of the latest technologies.



of UK Finance functions already partner with external companies for transactional processing.

There are a range of benefits that companies experience from co-sourcing or outsourcing elements of their Tax and Finance function. 40% of organisations believe the biggest benefit is achieving higher value through advanced analytics and planning; 39% believe the biggest benefit is a reduced risk profile; and 21% say it is cost reduction



of respondents in our 2020 Tax Finance Operate survey confirmed that they have or are considering co-sourcing / outsourcing of select tax and finance activities as a solution to the challenges facing the tax and finance function.

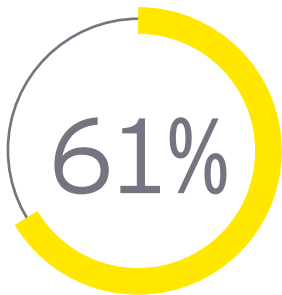
**People** references how to organise the much fewer number of more valuable resources needed in the future. The CFO must take a strategic decision on what will be sourced, recruited, retained, and/or developed to transform Finance talent into a sustainable workforce. Key considerations:

- a. What is key talent to retain?
- b. How will you develop talent?
- c. Where will you locate and source the right talent from?
- d. How will you support changing needs of workforce, flexibility, Gen X/Y etc?

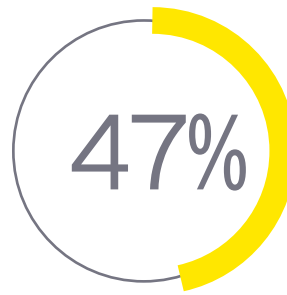
We see organisations make their decision on where to locate their operations not based purely on cost, but also where the relevant talent can be sourced.

**Operating model** – Increase how Finance works cross functionally as part of an extended ecosystem to enable new business models and value creation. Key considerations:

- a. Evaluate and transform the entire Finance function when defining a new operating model - Group, CoE, SSC, BU, Market
- b. Consider a Global Business Services model – leveraging benefits and synergies across the back-office (Finance, Procurement, HR, IT, Commercial etc)
- c. Leverage end to end process design, ownership and delivery to drive performance improvement (Source to pay, Order to cash, Record to report)



of respondents of a Shared Services Outsourcing Network (SSON) survey agreed that their talent sourcing strategy is shifting from transactional to knowledge work.



of businesses say that their back-office shared service centres are now multi-function.

A global manufacturing organisation has begun to recruit country Finance Controllers in mid-cost locations outside of the market they serve. Whilst they are fully integrated into the organisation structure of the country that they serve, this allows the company to take advantage of sourcing people from areas that have both a rich talent pool and a lower price point

For example, a FTSE 100 company has redesigned its operating model based upon the outsourcing of its transactional processes, servicing the remaining F&A activities within a captive CoE construct and using a range of Big 4 partners to support Tax, Treasury and IA on a managed service basis



# 3

## What Finance leaders need to do now

Finance leaders should:

- ▶ Reassess the technology platforms and solutions to enable an increasingly virtual workforce and drive “touchless” processing with high levels of user experience
- ▶ Consider deploying a partner ecosystem to create agility, cost efficiency and drive increased capability
- ▶ Take strategic decisions on how to organise and develop skills in the much fewer Finance resources who will be focussed on driving long term value for the business
- ▶ Re-consider what is now the right balance of on-shore, off-shore, BPO and managed services to meet the demands of the future Finance function

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How can the CFO evolve today to reframe finance for tomorrow?

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