



Accounting in extraordinary times: the future of finance

Creating a vision:
Research emerging themes

Chartered Global Management Accountants (CGMA[®])

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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, CGMA designation holders and accounting and finance professionals globally.

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Creating a vision for the future

This paper introduces a year-long, worldwide research project to identify the future direction and form of the finance function.

Change is the new norm in many organisations, and particularly for the finance function. However, because organisations do not discuss the issues with one another, there is currently no composite picture or vision of the finance function of the future.

It is this vision that we at the Association of International Certified Professional Accountants aim to create.

With our 650,000 members and students in 179 countries, the Association of International Certified Professional Accountants is uniquely positioned to work with our global stakeholders to investigate, analyse and document how the finance function is changing.

Using interviews, roundtables and surveys, this comprehensive global research project is designed to bring together different organisational views, both to create insight into the process of change and to synthesise a composite picture of the finance function of the future.

The research project seeks to answer the following questions:

- ▶ How will the future be different for your organisation?
- ▶ What are the drivers of change for your organisation?
- ▶ What are the implications for finance?
- ▶ How should finance prepare for the changes?

The project's underlying aim is to ensure the continued relevance and employability of current and future holders of the CGMA designation at businesses across the world. The findings of the research project will inform:

- ▶ Future thought leadership in the management accounting arena
- ▶ The CGMA competency framework
- ▶ The CGMA syllabus, learning and assessment
- ▶ Continuous professional development (CPD)
- ▶ The CGMA practical experience requirements (PER)

This project has been designed to ensure our members continue to meet the employability needs of business, ensuring they remain competent and confident management accounting professionals, who can guide and lead their organisations to sustainable success.

In this paper, we set out an introduction to our research, explain our methodology and identify the common themes that are already emerging from the first phase of interviews. We will share our findings in a variety of different formats throughout the year. Each of these will peel back the layers of insight revealed in the interviews to stimulate thinking and provide a sounding board for your comments and debate.

An unwavering commitment to innovation

In 2019 it will be 100 years since CIMA began promoting and developing the science of costing and management accounting. In all that time, our core objective has not changed.

From the founding cost-accounting pioneers of 1919, and CIMA's first syllabus, through to the 21st century's Chartered Global Management Accountants, under the leadership of the Association of International Certified Professional Accountants, our goal has been unwavering: to foster and maintain research into developing the qualified finance professional of the future. Our ongoing research into the future of finance continues this tradition.

A methodology for rigorous and relevant research

Our starting point is to maintain a deep understanding of employers' and business' needs.

That is why we work closely with businesses, academics, members and subject matter experts to ensure a clear understanding of the roles played by finance professionals in business, the competencies expected of them, and how and why these are changing.

Insight into the future

Our aim in undertaking relevant and rigorous research is to gain insights into the future of finance and crucially understand the future needs of businesses and employers globally.

By the end of our research, we will be able to understand and articulate how the finance function of the future will be different from that of today in the areas of:

- ▶ Its role
- ▶ Tools and techniques
- ▶ Structure and shape
- ▶ Competencies and mindset

In designing our research programme, we set out to engage with representatives of all stakeholders to understand the future of finance. Our year-long research project is using a three-phased qualitative and quantitative methodology which includes:

- ▶ Face-to-face interviews (phase 1)
- ▶ Roundtable discussions (phase 2)
- ▶ A global survey (phase 3)

Where we are in our research – Phase 1: Face-to-face interviews

In phase 1, we have conducted face-to-face interviews with more than 300 individuals representing 130 organisations in 14 countries.

We have talked to senior finance and non-finance people from organisations of all sizes from the private, public and not-for-profit sectors. We asked the following questions at every interview:

- ▶ What is shaping the context of your organisation?
- ▶ What are the challenges facing your organisation?
- ▶ What strategies are you using to address these challenges?
- ▶ How is the role of finance changing in addressing your challenges?

These interviews have been a harvesting activity to provide us with qualitative data on the challenges facing organisations. Armed with this information, we are now aiming to enrich it further by presenting the emerging themes to a wider sample of our stakeholders in the roundtable and survey phases of the project.

Four emerging themes

“The future role of finance is fusion rather than erosion.”

This view of the future came from an interviewee from the banking sector. Currently, there is undeniably a global conversation about technology as a disrupter. As our interviewee explained, however, it also provides important opportunities in the form of ‘fusion’.

It is already clear to us that this process will bring together different internal areas of the finance function as well as fusing finance with the rest of the business.

“Currently, finance spends 90 per cent of its time explaining actuals and just 10 per cent focusing on the future”, the interviewee told us. Our research is showing that Intelligence Augmentation, where technology augments human intelligence, is already freeing the finance professional to reverse this emphasis.

And that in turn means technology is enabling a move from pure reporting, where finance works in isolation, to a future where it collaborates with the rest of the organisation to develop and deploy solutions.

Having conducted over 300 interviews on the future of finance, we have now started to see the emergence of several common trends, which touch upon several topics. These are already providing our research team with a series of strong insights into the finance function of the future. So, in this paper, we introduce the four key themes that we see emerging from our interviews. They are:

1. The changing role and mandate of finance
2. Changing technology and finance
3. The changing shape of the finance function
4. Changing competencies and mindsets

Creating a composite picture

As this research project expands further, through the roundtables, the global survey and our stakeholders’ feedback, these emerging themes will transform. Once our research is complete, we will have a composite picture of the future finance function.

It is at that point that we will be able to drill down into its inner workings to highlight the changing tools and techniques that will be required in the new world of accountancy and business.

The emerging themes, represent horizon scanning exercises for the finance profession. We will introduce new concepts to some, or acquaint others with a familiar language, depending on how far progressed an organisation is towards building the finance function of the future.

By sharing the findings, we aim to foster debate that leads to conversation, which in turn drives innovative cooperation and collaboration across your organisational ecosystem and the management accounting community as a whole.

Theme 1:

The changing role and mandate of finance

“Finance is playing a strategic role for an organisation in transition.”

An interviewee from a South African telecoms company told us that the future ‘mandate’ for the finance function is moving away from just reporting to one that develops and deploys solutions for an organisation.

In another interview, we heard how the finance function has evolved beyond bookkeeping to do more of the strategic organisational thinking through business partnering. Many more respondents told us that their finance functions have been transformed so that the management accounting discipline in their business enables value generation.

This emerging mandate is based on a twin belief: first, that the finance function has a unique end-to-end view of an organisation; and secondly that the Chief Financial Officer (CFO) has the business understanding to work alongside the Chief Executive Officer (CEO) as a ‘co-pilot’.

It is clear that the future mandate for the finance function is changing and innovations and notions are emerging such as the ‘Co-Pilot’ concept.

Overall, the research emphasises how the finance function is evolving from one that has worked in isolation, with a narrow focus on reporting and financial analysis. Instead, it is becoming a function that fully integrates with and works across the organisation to create and preserve value.

Over 2018 we will share our findings on this change from the perspective of those basic activities that are the DNA of any finance function.

It will then document the function’s broader evolving roles, from root cause analysis to using its expertise and problem-solving skills, how their team’s develop and deploy solutions, and how they enable greater value generation for businesses across the globe.

Theme 2: Changing technology and finance

“The things we talk about when we set our strategic objectives for the year are money and how we keep pace with technology.”

This is the stark reality for one U.S. retailer – and it’s a common theme that’s shared by many other interviewees. It’s true that advancements in technology are allowing us to do much more than any of us have been able to do in the past. However, too many organisations are struggling with the pace of change, constantly having to react rather than lead with technological innovation.

In our interviews, technology is seen as the key driver and enabler of change in the finance function. This ‘disrupter’ presents both an opportunity and a risk. It is transforming what we as finance professionals do and revolutionising how the finance function of the future will be deployed.

Above all, it is creating an ‘intelligence augmentation’ model of working – where the technical capabilities of robotics and algorithms combines with the creativity and empathy of the human accountant.

In short, technology is allowing finance professionals to spend more time focusing on delivering the solutions that add real value to organisations.

This theme will consider the key digital tools capable of delivering new and different capabilities to the finance function. Reflecting upon the patterns of technology adoption across sectors, focusing on the factors that influence an organisation’s decision to follow a particular path. Finally, we will reintroduce the CGMA horizon scanner, a powerful tool that adds context to the challenges ahead by enabling organisations to frame their conversation on the impact of future technology and develop a digital strategy that will ensure their continued success.

Theme 3:

The changing shape of the finance function

“The expectations of the finance role have changed. Finance is now embedding itself across the business.”

When an interviewee from the Indian banking sector shared this insight, it further emphasised the pattern of responses demonstrating the radically changing shape of the finance function.

As expectations and the skills change, the shape is migrating from a traditional ‘hierarchical triangle’ (where broader populations of workers report directly upwards to a series of ever-narrower management bands) to a ‘hexagonal’ structure (where expert teams collaborate as equals to achieve shared corporate objectives).

Traditionally, the finance function often worked in a silo, covering many separate areas including:

- ▶ Finance leadership
- ▶ External reporting
- ▶ Management information
- ▶ Accounting operations
- ▶ Decision and performance management
- ▶ Subject matter specialisms (such as tax and treasury).

Supporting the function was a technological ‘box’, containing information systems where data was captured, analysed and turned into insight. As technology and information systems become more advanced, the separate finance area roles are fusing together – hence the evolving hexagonal network structure.

As our research evolves, we will explore the implications of this evolving structure for managing talent.

The situation is not entirely new – the segregation of accounting and finance has already been creating challenges in managing expectations in Shared Service Centres (SSCs) and in succession planning for retained finance roles.

But the challenge will increase as technology automated more of those basic finance activities which provided the traditional training ground.

We will continue to monitor the evolving shape of finance as it informs the practical experience requirements for CGMA designation holders, lifelong learning and CPD needs.

Theme 4:

Changing competencies and mindsets

“Finance people need a mindset that enables them to adapt through continuous learning.”

Until recently, we have assumed that competencies influence and enable performance. However, throughout the face-to-face phase of this project, many interviewees made reference to ‘the mindset of the management accountant’, presenting personal views of what makes a good finance professional. In one interview, a banking sector representative explained that the organisation looked for “broad capability and a mindset rather than the ability to use certain tools and techniques” when hiring finance professionals.

They described this mindset as “being able to challenge the status quo, adapt and make an impact when driving change”. Adopting it leads employees to be more resilient and gain a higher level of emotional intelligence.

In this and other ways, our research is challenging current competency assumptions. While technical competencies are still very important for the finance professional, it is mindset that makes the greatest difference in the working environment.

Our briefing will explore the changing competencies required and the growth mindset that will maximise performance in the finance function of the future.



The future of finance: join us on the journey

The emerging themes from the interview phase gave us scenarios for the roundtables to validate and expand upon in phase 2.

We are currently running a series of 50 roundtables, representing 300 organisations across 20 countries in Africa, Asia, Europe and the U.S. Participants will be asked to comment on the interview findings based on their own experiences, observations and opinions.

Phase 3 of the research will consist of a global survey. Its structure and content will be based upon the combined emerging themes from the interview and roundtable phases.

We will share the emerging themes and discuss the new delivery model for modern finance, with certain key features. Ultimately, all organisations face the same obstacles of building capacity, competence and credibility into their future finance functions.

The difference is that some organisations are innovators on the journey to the future, while others are lagging behind.

With this research, we want to help more to lead from the front.

The keys to transformation

Based on our interviews, the top priorities for transforming the finance function are to help organisations:

- ▶ Make use of the latest technologies to release the full capacity of the finance function
- ▶ Widen the remit of finance to cover a broader range of management information generating new insights and business solutions
- ▶ Provide and empower finance professionals with new competencies and growth mindsets to help their organisations create and preserve value

That's what this research is all about.

Ask yourself and your teams:

- ▶ How do the emerging themes resonate in your organisation?
- ▶ Where are you and your organisation on the journey to the finance function of the future?
- ▶ How, in the light of the themes, will you reconsider your strategies to meet the innovative mandate of the future finance function?

Start the future of finance conversation in your organisation now.

Contact us to sign up for the future of finance online survey, to share your experiences, observations and opinions, and to keep informed of our emerging themes briefing papers.

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Your responses will help to shape the evolution of management accounting and ensure the profession's continuing relevance as we go forward into the future of management accounting.



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