



# Re-inventing finance for a digital world

**Executive summary**

# Moving from cost to value in a digital world

The white paper, Re-inventing finance for a digital world, tells the story of the research underpinning our views on how new competencies are emerging in a digital world. It describes their implications for finance professionals, employers, academics and tuition providers, and regulators and policy makers. Our findings come from three phases of research that engaged with more than 5,500 finance professionals from over 2,000 organisations in over 150 countries.

Our objectives in undertaking this relevant and rigorous research have been:

- ▶ To understand the future needs of businesses and employers globally in a digital world
- ▶ To gain insight into the finance function in a digital world
- ▶ To understand how new competencies are emerging in a digital world
- ▶ To signpost the competency implications for finance professionals.

**Our core finding is this – in a digital world, the focus of the finance function is shifting from being based on costs to being based on organisational value.**

In other words, the finance function will no longer be evaluated purely on how costly it is to run, and be viewed as just another cost centre. Instead, the finance function will be judged on the added value it brings to the organisation and the wider community.

For anyone who practices management accounting, this shift highlights the prospect of a rewarding career in finance – a shift in which they can add real value to organisations and society as a whole.

# Linking management accounting practitioners with employers

The white paper connects employers to management accounting practitioners in three ways by focusing on:

1

The challenges organisations face that threaten their success and need to be addressed.

2

The performance required by the finance function to help organisations address those challenges.

3

The types of skills, competencies and mindset that finance professionals need to perform at the level required for organisations to address the challenges they face.

To read the full research findings of Re-inventing finance for a digital world, go to:

[cimaglobal.com/future](http://cimaglobal.com/future)

# The challenges organisations face

Our research findings show that technology is seen as the key driver of change for organisations and for their finance functions.

In a digital world, the sheer pace of technological change is the main challenge facing organisations. The increasing use of interconnected devices and the Internet of Things (IoT) is having a huge impact on organisations and disrupting their traditional business models.

This innovation alone, alongside access to real-time data, blows a hole in the long-held assumption of the value inherent in finance reporting cycles. In a digital world, stakeholders are demanding more frequent performance information. Organisations will consequently need to review their communication relationships, not only with their customers but also with regulators and policy makers.

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The digital world has become flatter. It is more volatile, and it is more difficult to find opportunities of competitive advantage. Consequently, in an increasingly complex environment, it is crucial that organisations have high-quality decision-making capabilities if they are to be among the successful sustainable businesses of the future.

# Changing finance function performance to meet the challenges

Historically, the finance function's focus has been around promoting organisational efficiencies and reducing operational costs. In many organisations, this focus has heralded lean operational processes – and now there is no fat left to trim.

Technology is also at a point where machines can monitor process-costing and highlight patterns of efficiency on their own. This is allowing the finance function to refocus its energy on revenue and value creation. It is a move that takes them from working in isolation (accounting) to working in partnership with others across the organisation (management).

For finance functions to meet the challenges their organisations face in a digital world, they must use different tools and techniques. In our research, many tools and techniques were talked about, but four very clearly stood out as more important:

- ▶ Data
- ▶ Costing
- ▶ Value
- ▶ Business model.

All four are in need of refreshing. Regulators and policy makers, and academics and tuition providers all have a part to play in their evolution and promotion to organisations. Finance functions and management accounting practitioners need to continually update their mastery over these key tools and techniques to apply them in the digital world.

Our research findings reveal that:

- ▶ High-performing organisations are more comfortable using non-financial data to understand customers and develop customer value propositions.
- ▶ High-performing organisations are more aware of cognitive computing and blockchain technologies.
- ▶ High-performing organisations have a stronger belief that their current finance competencies will need to change significantly over the next three years.

# Changing competencies and mindset of finance professionals to ensure performance

One of the key factors we are hearing about in our research is the rise of technology and automation, both as a driver and an enabler of change.

For many people, technology could represent a threat. However, our view is that technology doesn't need to represent a threat – it can also present opportunity. Our research findings demonstrate that the displacement of tasks should not necessarily lead to the displacement of people from their jobs.

Half of our survey respondents expect to spend less time doing data processing tasks and more time in analysing non-financial data to assist decision making, moving from an information to influence and impact focus. If these people are given new and relevant skills and competencies, they can undertake higher value tasks that create more value to their organisation.

“Our research findings demonstrate that the displacement of tasks should not necessarily lead to the displacement of people from their jobs.”

Finance professionals will also need to ensure they:

- ▶ understand and are aware of what only machines can do
- ▶ are highly skilled in what only humans can do (leadership, empathy, creativity and judgement)
- ▶ are highly skilled in situations where machines and human beings work together.

To succeed in a digital world, human beings need digital skills and a digital mindset. Our research indicates that three key areas of digital skills and mindset will keep finance professionals relevant in an ever-evolving technological world:

- ▶ Basic digital literacy: The confidence and capability in using digital technology to complete tasks.
- ▶ Technology know-how: Understanding of how digital technology can disrupt an organisation's business model.
- ▶ Mindset and behaviours: The abilities to confront complexity, to work in an agile and creative manner, and to harness curiosity in order to continually learn.

# Engaging the management accounting community with the digital world

The white paper concludes with a series of recommendations for the various stakeholders of the management accountant community.

- ▶ **For employers:** Understand and review how digital technology is disrupting your organisation's business model. Research the technology solutions that your supply-chain partners and others in your industry ecosystem have implemented.
  - ▶ **For regulators and policy makers:** Understand how technology is changing the business relationship between regulators and organisations.
  - ▶ **For academics and tuition providers:** Work and collaborate with organisations to document best practice around the changing nature of finance in case studies and research papers.
- ▶ **For management accounting practitioners:**
    - Review your work activities according to which are most and least susceptible to automation. Consider enhancing your skills around empathy, judgement and social and emotional intelligence. (Currently these are underused and difficult to replicate in technology solutions.)
    - Start developing your own Continuing Professional Development (CPD) plan to reflect the challenges in a digital world.
    - In your lifelong learning, keep your subject areas broad. In a digital world, ironically, the more you specialise in an ever smaller domain, the easier it is for a machine to replace you.

In light of our research we have introduced an updated CGMA Competency Framework that defines the knowledge and skills needed for people within organisations. We have also updated the CIMA Professional Qualification and our learning systems that will enable management accounting practitioners to acquire the skills, competencies and mindset that employers demand in a digital world.



Report author:

**Dr Martin Farrar**

Associate Technical Director,  
Research and Development –  
Management Accounting

Association of International Certified  
Professional Accountants

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