



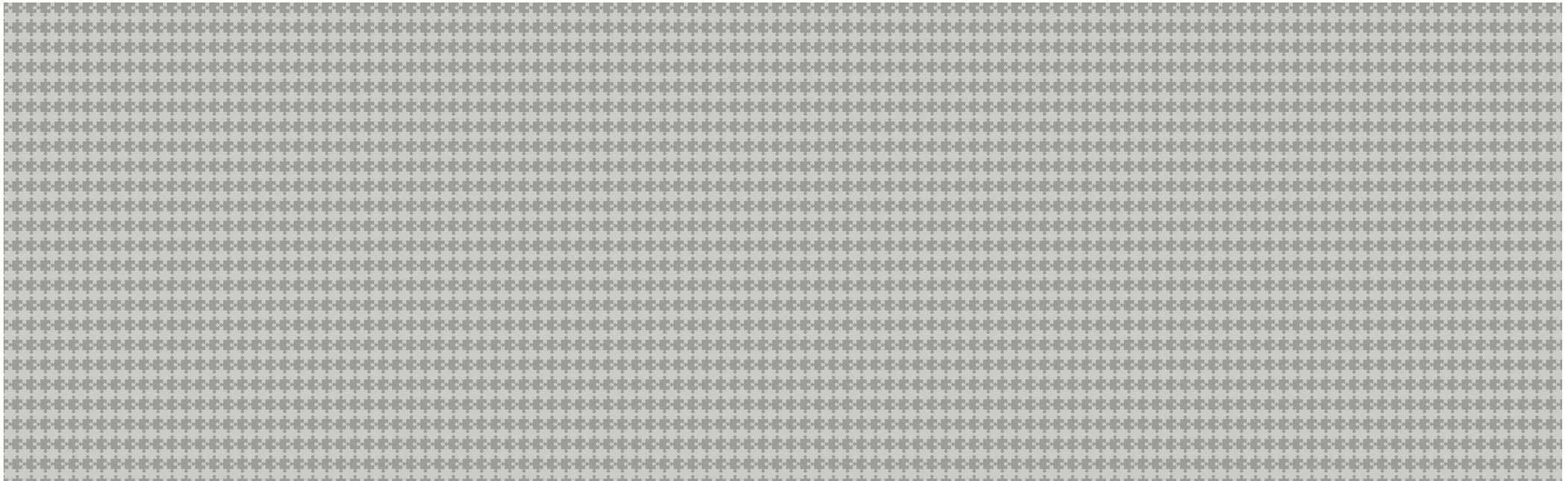
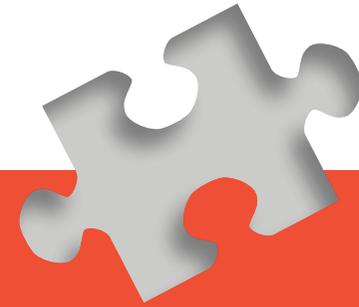
The Association of
Accountants and
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in Business

The global
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Accountants for Business

Tomorrow's finance enterprise



About ACCA

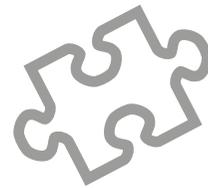
ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 170,000 members and 436,000 students throughout their careers, providing services through a network of 91 offices and centres. Our reputation is grounded in over 100 years of providing world-class accounting and finance qualifications. We champion opportunity, diversity and integrity, and our long traditions are complemented by modern thinking, backed by a diverse, global membership. By promoting our global standards, and supporting our members wherever they work, we aim to meet the current and future needs of international business.

About IMA®

IMA®, the association of accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) program, continuing education, networking and advocacy of the highest ethical business practices. IMA has a global network of more than 70,000 members in 140 countries and 300 professional and student chapters. Headquartered in Montvale, N.J., USA, IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe, and Middle East/Africa.

www.imanet.org



About Accountants for Business

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

ACCA's smart finance function campaign

ACCA's smart finance function campaign showcases the good practices, challenges and opportunities corporate finance functions face. It explores how the quality of finance leadership, the adoption of breakthrough technologies, better people practices, and innovative thinking can transform the finance function.

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In this report we ask a simple question: what are the key influences shaping the future role of the CFO and tomorrow's finance enterprise?

The report draws on all of our ongoing CFO-focused research and includes highlights of a 2014 survey of 1631 ACCA and IMA members around the world.

Executive summary

What are the key influences impacting the future CFO function, and what determines its likely success in a world of significant change? ACCA's and IMA's previous reports have dealt with talent, career paths, the changing nature of the CFO role, technology and big data. Yet pulling all of the issues together, what do we see as the issues that will make or break future CFO success. We think there are five issues shaping the destiny of finance.

1. VOLATILITY AND RISK SHAPE THE FUTURE

Economic volatility and risk dominate as key influences impacting the top finance job. The environment brings new levels of scrutiny to the role of the function, the effectiveness of the investments it makes, and the quality of support provided for enterprise decision making. Yet the function continues to be pushed on providing the information that matters; finance chiefs see the reality of the environment and the clamour for information, but the task is more difficult in a landscape that will change quickly and where risk proliferates. Culturally this is a big challenge for many finance teams too; the finance organisation needs to

adapt to operate in an environment with greater uncertainty and ensure it doesn't stop innovation.

2. ENTERPRISE STRATEGY SUPPORTED BY SMARTER FINANCE DELIVERY

Successful alignment of the finance organisation to the strategy of the business is essential. By transforming the finance organisation, the future CFO team must ensure the right processes, systems and metrics are in place to aid strategy execution, deliver richer information insights and drive cost and process effective finance operations. As CFOs continue to step up to the strategy role, having the right operating model for the finance team which is agile, scalable, and aligned to the changing needs of the enterprise to flawlessly deliver the controllership agenda and support the enterprise strategy is an imperative.

3. VALUE DRIVEN AND DATA CENTRIC

The assets that drive corporate wealth are increasingly not what they used to be; in the knowledge economy intangibles such as information, branding and talent are central to future value creation for all sizes

and types of businesses. Understanding how the business generates value is core to the future CFO role; in the push to drive sustainable return on enterprise assets, finance leaders need clarity on where growth will come from and where to allocate enterprise capital. But they can't do this unless they get their hands on the right data. The CFO function has a critical future role to play in getting the enterprise data basics right as a starting point for better decision making.

4. NEW TECHNOLOGY FRONTIERS

Finance leaders will need to prioritise investment in technology to drive growth, and digital technologies will become a core finance leadership enabler in all businesses. The current finance technology landscape remains overly complex for most, and simplification is sought. Smarter CFOs recognise the limitations of prevailing technologies, and have a responsibility to ensure that social, mobile, cloud and analytics technologies become strategic tools in driving enterprise change, new business models, and improve the contribution of the finance organisation to support enterprise strategy and compliance with regulatory obligations.

5. PEOPLE MATTER – IT'S ALWAYS ABOUT TALENT

The quality of talent available to the CFO function could make or break its future success. A different premium is being placed on the leadership skills that matter; the capacity to manage change, more effective communication, the ability to think strategically and demonstrate a real and deep understanding of the commercial drivers of the business, and to think innovatively. But the big question for the function is this: with changing finance delivery models and new sources of talent opening up, where will this new pool of executive finance leadership talent come from?

1. Volatility and risk shape the future

VOLATILITY AND RISK DOMINATE

Economic volatility and risk dominate as top influences impacting the future finance leadership role (see Figure 1). The world economic climate remains difficult and challenging. Risk continues to proliferate and significant turbulence exist in currency markets. Many industries face significant disruptive players entering the market, and traditional business operations are under significant pressure from highly innovative business models.

FUNDAMENTALS IMPACTED

Volatility presents significant challenges to the finance team because the CFO is the steward of corporate value. Volatility decreases the capacity of the finance organisation to plan and forecast in a world that changes very quickly; it impairs the ability of CFOs to give speedy and accurate support for business decision making, it has significant implications for funding capacity and cost control, and brings a new dimension to the management of enterprise risk.

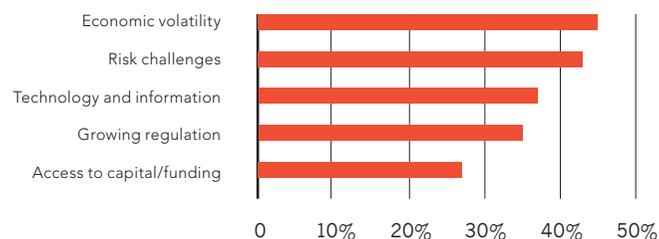
GREATER CUSTOMER CENTRICITY

As customers have become more empowered through technology, new product lead times and life cycles have become progressively shorter driving greater customer centricity. As David Burrirt, CFO of US Steel, comments 'if you are a CFO today, you have to understand more about who's paying your bills. When you have that customer intimacy, and you can really understand the customer's challenges and the customer's business well, you can really perform well'.

CULTURAL TRANSFORMATION

With more volatility, and greater market competition business cases may be less certain, the organisation may have to take a greater number of calculated risks, and finance will have to support innovation, because innovation will drive growth. The environment will necessitate a more entrepreneurial spirit in the finance team, and the CFO function will need to adapt to work in a landscape of greater ambiguity. Things will be much less black and white for the future of the finance team

Figure 1: The most important influences on the future CFO role



79% agreed or strongly agreed that the finance function will be focused on broader business risks, rather than just finance risks, in the future.

'CFOs are so used to seeing things as either black or white, but we don't have the luxury of that anymore.'

QUIN THONG, FINANCE DIRECTOR – GREATER CHINA, BARONSMEAD CONSULTING

2. Enterprise strategy supported by smarter finance delivery

STRATEGIC FOCUS

CFOs are increasingly prioritising their role in business strategy support but this responsibility must be anchored in leading a finance function that directly supports strategy execution. David Burritt, CFO of US Steel comments: 'If you think of vision, strategy and execution as separate and distinct, you fail'. Rita Purewal CFO of Wolverhampton Wanderers Football Club concurs. 'I think you won't find any CFOs that don't have a strategic planning aspect to their role. I think it just comes with the territory'.

PERFORMANCE ORIENTATION

The CFO is increasingly in the spotlight with regard to what Amir Hafiz, CFO of TDM Berhad, calls 'the performance gaps between what the business wants to achieve and what it actually does achieve. The business is demanding that we close these gaps'. The future CFO function must lead a clearer line of sight tracking, measuring and reporting on the business activities that matter. 'To make sure that strategy is translated into results', Hafiz says, 'is an integral part of the CFO's role'.

SMARTER DELIVERY

CFO organisations continue to drive transformation programmes, adopting shared service and outsourcing to reduce cost, increase process standardisation, and achieve scalability and control. Nigel Beck, director of First Global Solutions says. 'you've got to make sure that shared services are centres of excellence...then you have the building blocks in terms of financial planning analysis and strategic planning'. There remains further opportunity to drive enterprise benefits from transformation of the CFO function.

BETTER INSIGHT

For many, alignment of wider enterprise strategy with the responsibilities of finance continues to remain elusive, and one of the critical challenges is the capacity of the finance organisation to support enterprise decision making. In practice, as Quin Thong, finance director, Greater China, Baronsmead Consulting, says: 'CFOs often get so engrossed in the detail that we fail to look at the bigger picture...we're so busy tying up the numbers that we forget to look at the insight that the numbers provide'.

1 strategy validation, formulation and execution

2 finance insight and analysis

3 financial planning

4 risk management

are the most important areas of technical knowledge needed by future CFOs.

'The CFO needs to be very focused on how the finance organisation is aligned with emerging business priorities.'

BARRY GREENE, MANAGING DIRECTOR FOR FINANCE AND OPERATIONS, GAVI, THE VACCINE ALLIANCE (SWITZERLAND)

3. Value driven and data centric

THE RISE OF INTANGIBLES

As business models change, the things that create enterprise value are increasingly not what they used to be. The market value of a business is increasingly reflected by the intangible assets that it holds such as data, brand, talent and its capacity to innovate. Balance sheets are a poor reflection of the capacity of enterprises to create wealth. The CFO function is responsible for achieving maximum return on enterprise assets, so CFOs must understand how the company invests in, and leverages, the assets that will drive most future growth and value, and in doing so allocate enterprise capital efficiently, and report on this effectively through integrated reporting practices

LEADERSHIP IN THE DATA DEBATE

The use of data will be fundamental to creating future enterprise value. Though functional responsibilities continue to blur in the great data debate, the future CFO must step up to help drive the data agenda across the business and sort the data that matters from the data that doesn't. By striving for clean, consistent data on key processes, and by establishing procedures to report on value driver activities, the CFO function is better placed to support the strategy of the organisation, to continue to transform its business model, and to drive growth

THE IMPORTANCE OF THE RIGHT DATA

The challenge for many finance chiefs, however, is gaining credible data on value driver activities, and identifying the relationships between activity and value. Previous ACCA and IMA studies have highlighted the challenges to the finance function that has no view of the single version of data truth across the enterprise. Borne out of multiple system upgrades and IT acquisitions, silo working, and poor ongoing data governance processes, access to consistent data remains challenging but using the right data is always the fundamental starting point.

IT'S ALL ABOUT OUTCOMES

The pressure from data hungry executives for ever quicker information from the finance team remains; yet in the race to meet demand, risks on accuracy and relevance prevail, and finance continues to over report to the enterprise. The CFO function needs to get better at influencing the business on the information that really matters. It must articulate the outcomes it is trying to drive and use the right data to report effectively. The CFO has the tools and opportunity to drive greater accountability across the enterprise for the data, influencing its demand and controlling its supply, but they shouldn't necessarily 'own' enterprise-wide data.

1 business value drivers

2 broader industry trends

3 risk landscape

4 technology and digitisation agenda

are the most important areas of broader business knowledge needed by future CFOs.

74% agreed that the future finance function will focus more on integrated reporting than delivering pure financial reporting.

4. New technology frontiers

THE TECHNOLOGY OPPORTUNITY

Leading finance functions will prioritise investment in technology to drive value, and digital technologies will become a core finance leadership enabler in all businesses. Smarter CFOs recognise the limitations of prevailing technologies, and have a responsibility for ensuring that technology becomes a strategic tool in driving enterprise change and new business models. New technologies are also central to driving richer information insights, ensuring regulatory compliance, and supporting greater collaboration across the enterprise.

RUNWAY FOR SMAC ADOPTION

There is a further runway for the adoption of social, mobile, analytics and cloud (SMAC) technologies and smarter finance tools. Holger Lindner, CFO of the Product Service Division of TÜV SÜD says: 'you need to develop tools to make meaning out of a heap of information and uncertainty and simulations. These tools can help, for example, to improve decision making about customer segmentation, pricing, production costs, investments and resource allocation. All these are currently decisions that take months. In the future this needs to be much faster and it needs to be much more flexible'.

AUTOMATION AND ROBOTS

With more talk of automation and robotic software in the market, technology is central not only to supporting the agility and scalability of the business, but also to improving core finance operational processes, managing emerging risks, shoring up controls, and meeting ever challenging regulatory requirements. There are more opportunities for automation in many finance teams, yet the application of robotics software to core finance function activities needs to be better understood. At some level of maturity, further automation may not bring enough marginal return. Does investment become a question of agility rather than efficiency?

VALUE ADDED FOCUS

Amir Hafiz, CFO of TDM Berhad, is clear that improved processes and technology are a prerequisite for freeing up the retained finance function and supporting the CFO's strategic role: 'Until and unless you really improve the automation of transaction processes, only then can you spend more time as a commercial leader with a strategy focus, as a business partner to the CEO'. Dennis Tan of DHL concurs: 'does automation mean head-count reduction and freeing up of resources in finance? I think the answer is actually both'. Quin Thong comments further, 'I just ask where would I be if I didn't invest in new technologies now'.

'Now, a lot more time is spent analysing and interpreting key financial data in developing a more "visionary" approach, which in turn has resulted in the formulation of sophisticated forecasting techniques and business plans, and raised expectations of what the business can expect. This has meant that the recipients of this information have, over time, raised their expectations of what a finance professional can and should deliver.'

RITA PUREWAL, CFO OF WOLVERHAMPTON WANDERERS FOOTBALL CLUB

78% agreed that many standard finance processes will be automated in the future.

5. People matter – it's always about talent

TOMORROW'S EXECUTIVE LEADERSHIP

The executive leadership qualities needed across all corporate functions in the knowledge economy continue to change rapidly, reflecting the multiple challenges enterprises are facing. Volatility, risk, digitisation, business model transformation, customer centricity, diversity and innovation challenges are demanding new levels of leadership performance. For the CFO function, the classic challenge now is how to transform talented individuals from having a narrow focus on functional perspectives to embracing the broader strategic CFO leadership capabilities needed in this environment.

THE COLLABORATION (C)-SUITE

The need for greater executive collaboration is also influencing the skills sought, as driving growth will depend crucially on the CFO reaching out and building alliances with other C-suite leaders such as the CMO, the CIO, the CHRO and other new emerging functional leaders; collaboration is king to evolving the business model, realigning operational processes and mining (in particular) the enterprises' intellectual capital to drive value and create growth. Salvatore Tavano agrees and sees a real need for the CFO to 'foster collaboration and sharing of information'.

CERTAIN SKILLS PRIZED

Communication skills, change management experience, the capacity to think strategically and innovatively will be prized skills. Quin Thong emphasises the value of communication through storytelling for the CFO. 'Facts tell, stories sell. Storytelling means putting the facts together in a relevant context that people can understand and be motivated and inspired'. Salvatore Tavano concurs: 'if people trust you, they'll do it. You have to communicate what you're trying to do, show how you're doing it, and you've got to communicate it well to people so that they buy into it. You have to set the tone'.

INTEGRITY AND EMPOWERMENT

As enterprise scrutiny grows the right behaviours matter too; As Holger Lindner of TÜV SÜD says: 'Underpinning leadership is uncompromised integrity – honesty and being straightforward'. Passion for the business, and the capacity to empower the team was also identified as a key behaviour. As Lindner explains: 'the scope of a CFO's responsibility has become so big that you cannot be an expert in every area. Do you need to have experts? Yes. Do you need to understand what they say? Absolutely. But do you need to be able to be the expert in every area? I don't think so'.

1 the CEO

2 the board

3 business heads

4 investors

are identified as the most important future CFO relationships.

'How do you influence and communicate your ideas to your peers? I think that may be lacking in the finance community generally.'

DENNIS TAN, CFO, DHL

A NEW TALENT EQUATION

Today, entry level and many higher-value finance roles are based thousands of miles away in off-shore locations. As finance organisations have sought to move further finance scope into shared service and offshore delivery centres, with concentration of core transactional finance activities taking place in the centres, and with growing interest in cross functional global business service (GBS) operations, the question is this: where will the enterprises future CFOs come from? Traditional finance career paths RIP.

FUTURE PROOFING THE PIPELINE

The finance department must think through how it 'future proofs' the potential talent gap; formal succession planning, coaching and mentoring practices, rotation and mobility programmes across the finance organisation and beyond, transparency of career paths and the development of centres of excellence offshore for higher value finance activities are all identified as possible solutions (see Figure two).

A NUMBERS GAME?

Yet the number of senior executive finance roles isn't exhaustive – providing visibility for a few high potentials to move from the retained finance organisation and rotate through shared services can immediately pay dividends in terms of visibility and can start to inculcate a culture of aspiration and mobility in the few that have the natural functional and leadership capabilities to make the grade.

'The biggest challenge we have in developing future CFOs are skills in communication, change management, influencing, and people management.'

DENNIS TAN, CFO, DHL

1 leadership skills

2 communication skills

3 change management

4 strategic thinking

are identified as the most important future CFO management skills.

Figure 2: The top five interventions considered necessary for developing future CFOs



6. Conclusion

Economic uncertainty, volatility, risk and ambiguity are the critical challenges facing businesses today. This research is further evidence of the CFO's strategic business role and the need for greater alignment between business strategy and the role of the finance team, particularly the establishment of processes, systems or metrics for tracking success. Nonetheless the starting point for the finance function is truly understanding the business, its environment and, critically, the factors that drive value and create growth for the enterprise. How businesses create growth in the future, and the processes that drive wealth, will change. Intangibles such as data (and the information that can be gleaned from analysing this), branding, intellectual property and talent are the catalyst for growth in many businesses. Finance leaders have a critical responsibility for making sure that the enterprise is investing in the processes and

technologies that will create this wealth and leverage these assets.

There is also another dynamic affecting the future of the function. The very nature of business leadership is changing in the face of a complex and multifaceted operating landscape, from the increasing speed of technological change, the proliferation of consumer choice, rapidly shifting business models, new emerging markets and nascent industries. Owing to increased risk and ambiguity, the finance leaders of the future will operate in an even less certain environment than in the past, and all these developments will determine how the culture of the CFO function must evolve, the traits, skills and capabilities that will be most prized, and how the new crop of talent emerging through the function can be developed in the face of changing business models and evolving enterprise structures.

A FINAL WORD, AMIR HAFIZ, CFO, TDM BERHAD

The CFO role is becoming harder and more difficult to prepare for, and so we have to change the way we do things: we can no longer do the same things and expect different results. For our finance function, the important question is how do we achieve this in the face of the increased demand for information – volume, speed and clarity, increased regulatory requirements, and increased business complexity, including intense scrutiny and demand by third-party stakeholders? How do we meet these increased demands?

Our approach relies on three very fundamental steps. Number one is for us to maximise the use of technology wherever possible. The goal is to improve the automation rate and achieve efficiency without tears. This is about the growing

importance of the partnership between the CFO and the CIO. Number two is about redesigning the process. We cannot do the same things as in the past and expect to be more efficient, so we have to redesign the way we do things. Number three, equally important, is about investment in talent, investment in the broader set of skills and responsibilities as the finance function is expected to play a central role in defining and execution of strategy. If we do not maximise the use of technology, if we do not redesign the process, if we do not really invest in talent, I do not see that we will be able to meet this increase in demand from our finance function.

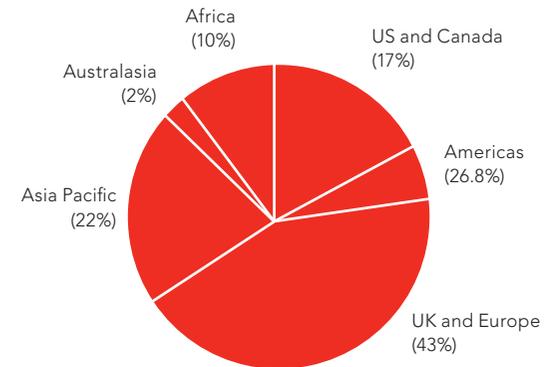
Appendix: demographics and methodology

This report is based on an online survey sent in May 2014 to members of ACCA and of IMA, asking for their views on the skills, experience and priorities for current and future chief financial officers (CFOs).

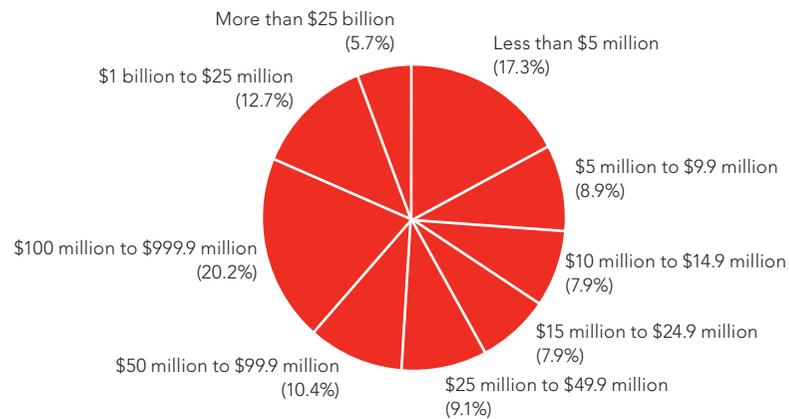
Supplementing this research were a number of in-depth one-to-one interviews conducted with senior finance professionals from a wide range of organisations.

Total respondents numbered 1,631.

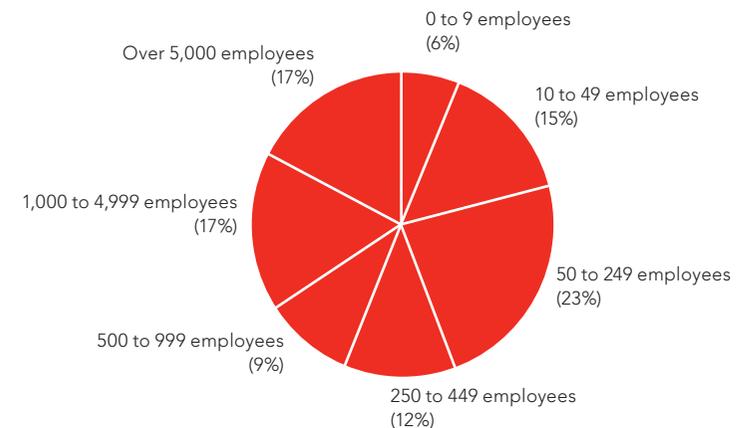
Location of headquarters of respondent's organisations



Revenue of respondent's organisations



Number of employees in respondent's organisations



Acknowledgements

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ACCA and IMA would also like to thank the following for having taken part in interviews:

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- David Burritt, CFO, United States Steel Corporation (US)
- Barry Greene, Managing Director for Financial Operations, GAVI Alliance (Switzerland)
- Amir Hafiz, CFO, TDM Berhad (Malaysia)
- Holger Lindner, CFO, Product Service Division, TÜV SÜD (Singapore)
- Rita Purewal, CFO, Wolverhampton Wanderers Football Club (UK)
- Dennis Tan, CFO, Asia Pacific, DHL Express (Hong Kong)
- Salvatore Tavano, former Head of Financial Reporting and Financial Research, Philip Morris Capital Corporation (US)
- Quin SQ Thong, Finance Director, Greater China, Baronsmead Consulting (Hong Kong).

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