MAN, MACHINE AND FINANCE - THE FINANCE ORGANIZATION THROUGH 2030

Disruption All Around

Universally, organizations are being buffeted by several forces. Empowered consumers are demanding more and forgiving less. Competition, especially from lean and agile non-traditional rivals, is increasing. Regulators are raising the compliance bar. And all the while, new digital technologies are entering the fray, leaving a trail of disruption in their wake.

To survive, businesses are focusing on optimizing cost, managing risk and compliance, building sustainable competitive advantage, and beating digital disruption with transformation, all of which have substantial financial implications.

Hence CEOs are increasingly relying on their finance organizations to take a bigger role in driving the overall business agenda, while they focus on building strategy and managing stakeholder expectations. Slowly but surely, the role of the finance organization is changing from funds manager to business partner, where it no longer only publishes and comments on the company's financial performance from a distance, but also enables strategic vision and direction at close range. How will this organization evolve between now and 2030? This article presents the Infosys point of view.

The finance organization transforms

To take up its new role, the finance organization is transforming itself both from an operational and technological perspective. The CFO is evolving into a Chief Performance Officer who tracks business vision and performance objectives and enables them particularly from a financial standpoint by estimating investments, finding new avenues to optimize cost, providing real-time insights and adopting digital technology, including artificial intelligence, in the finance function. A natural outcome of this is that the finance organization itself will blend with business. We are already seeing this change playing out in Infosys where the delivery management team also performs several cost and revenue management activities.

As finance eases further into a strategic role, its perspective will broaden. Rather than creating temporary models and solutions, the finance organization will strive for sustainability by charting the enterprise's direction in the short, medium and long term. For instance, if the immediate goal is customer excellence, the finance organization will determine what is needed by way of investment, cost saving or stakeholder reporting in the short term to realize it. In the medium and long term, the focus might be on achieving the larger corporate vision of the organization.

An important change is that like most business functions, finance too will become external-focused. Earlier, this article mentioned that the CFO would evolve into the Chief Performance Officer, and that other changes at the (finance) organization level would include a change in role from reporter to orchestrator, a change in focus from core operations to business performance, and the replacement of temporary models with a sustainable outlook.

Finance will also undergo very significant technology transformation. Some changes are already underway, for example, the replacement of manual effort with robotic process automation. At India's ICICI Bank, 750 software robots process nearly 2 million transactions everyday . JPMorgan Chase uses a program called COIN (Contract Intelligence) to review commercial loan documents in seconds, a task that used to occupy a team of loan officers and lawyers for 360,000 hours every year . Instead of using technology to control risk, the finance organization will leverage it to improve resilience. A reactive management style will give way to an adaptive one as the latest digital technologies – advanced analytics, AI, machine learning etc. – process huge quantities of data into actionable/ predictive insights in real-time.

For the longest time, the traditionally conservative finance function questioned the wisdom and security of migrating to the cloud. With cloud providers taking stringent measures to protect data, today there is hardly an enterprise without cloud computing on its agenda. Bowing to the pressure to optimize cost, the finance organization will also gradually migrate 100 percent of its assets from company premises to the cloud.

Change is also imminent on the reporting front, where offline, quarterly filings will be replaced by real-time submissions.

In time – our estimate is by 2030 – the manual financial organization will transform into a machine-dominated one, and therefore lead us to question the need for human finance managers.

From now until then

Our view of the technological evolution of the finance organization from 2018 to 2030 is as follows:

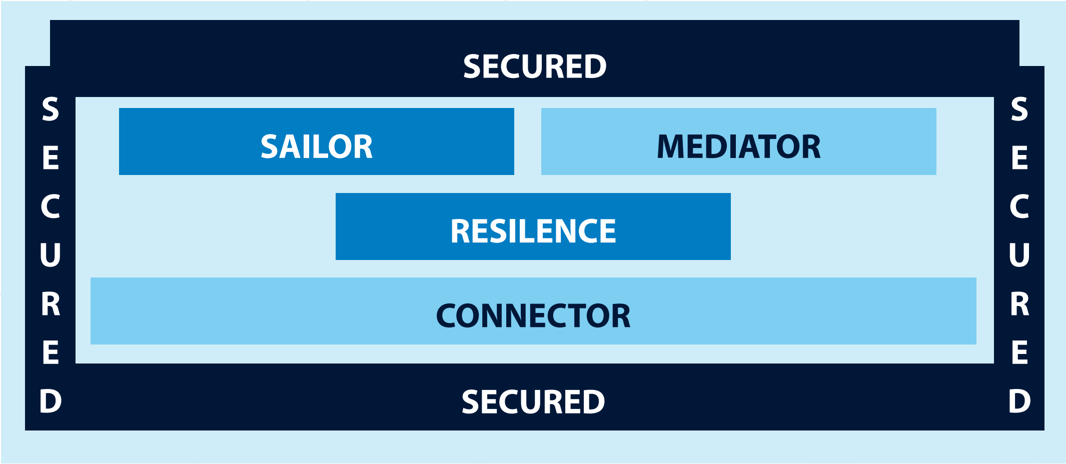
After using spreadsheets in the 1970s and computer-assisted systems in the following decade, the finance organization took its first technological leap in the 1990s with ERP systems. Around 2010 came the next big change in the form of a data explosion and real-time flows. Since then, digital technology has made a deep-rooted impact on the finance organization, enabling it to grow into several new roles.

Today, in its traditional role of operator, the finance organization is looking to save costs in routine activities like accounting and reconciliation through standardization and automation. Automation and other technologies, such as Blockchain, are enabling the organization to practice better governance and control and thereby improve in the role of steward. Cloud computing is contributing to the organization's catalyst role, in which it partners the enterprise to improve agility and responsiveness. Finally, as a strategist, the organization leverages big data, analytics and other smart technologies to support business growth, develop strategic plans and make accurate forecasts.

We expect a lot of change in the next couple of years. 2020 will see technology permeate deeper into the finance function, as depicted in the graphic below. Accounting and operational reporting will experience maximum disruption as a number of activities get divested to software and machines. The cloud will bring agility and cost efficiency to a range of functions, from accounting and procure-to-pay to taxation and treasury. There will be focus on improving user experience across the board. Advanced analytics will enable predictions, informed decisions and accurate reporting.

Elements / Finance	Cloud	In Memory Computing	Block Chain	User Experience	Robotics	Internet of Things	Mobility	Advance Analytics	Cognitive computing
Accounting	Y	Y	Y	Y	Y		Y	Y	Y
Operational Reporting	Y	Y	Y	Y	Y		Y	Y	Y
Procure to Pay	Y		Y	Y	Y	Y		Y	
Order to Cash	Y		Y	Y	Y			Y	
Record to Report	Y			Y	Y			Y	
Capitalization	Y					Y		Y	
Taxation	Y				Y			Y	
Treasury	Y		Y	Y	Y				
Internal Stakeholder Reporting			Y	Y			Y	Y	Y
External Stakeholder Mgmt			Y	Y					

The finance organization of 2030 will be changed beyond recognition with machines performing a huge portion – we think it could be as much as 85 percent – of all roles, which we have grouped under security, navigation, mediation, resilience, and connectivity.



Ensuring data security will be most important, and managed entirely by machines. Access control with alerts and exceptions will be the future security model.

As navigators, machines will be responsible for gathering data and providing information on the go to stakeholders. Reporting will be agile and real-time.

Negotiation and defining future organizational actions and strategy will be part of the mediator role.

The organization will build resilience by automating control and governance; artificial intelligence and machine learning systems will deal with alerts and exceptions. Simulation and modeling will happen in real-time.

Spreadsheets will be replaced by connectors that build similar functionality within ERP systems, enabling users to download information in real-time on a digital dashboard. Shared service organizations located in different regions will consolidate on-shore and dramatically reduce head count.

At that level of automation, the human finance enterprise will probably become redundant. Human beings will be needed for tasks that only humans can perform – strategy, innovation, finding new solutions to problems, building empathy and communication, handling exc eptions, and overseeing the performance of their co-worker machines

About the Author

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Ramakrishnan Subramanian is the Head of Center of Excellence for Finance and working as a Senior Industry Principal Consultant, with a team of 1000+ who are either Certified Accountants or Management Graduates. He has been part of Innovation Programs enabling the next Generation Shared Services, Digital Finance Journey's through Cloud Enablement, Mobile solutions, Automation, Artificial intelligence and Machine Learning. He has also lead & managed multiple improvement projects using a variety of tools and methodologies including Lean Six Sigma and Design Thinking. Ramakrishnan has complete working knowledge of Oracle ERP cloud and trains, coaches and develops Oracle Cloud Certified Consultants. He engages with business leaders to identify operational gaps and opportunities. Further, he has also lead & coached multiple cross functional initiatives ensuring initiative alignment with business vision and strategy, process and value stream mapping. He accounts for revenue of a minimum 20M USD per year and innovates 2 new solutions every quarter.

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