

# Building the Three Pillars of Tomorrow's Finance Function

Sit twenty finance professionals around a table, challenge them to discuss the future of the finance function, and what surprises is the coherency of the response. Whether they work in healthcare or housebuilding, start-ups or regulators, they all recognize a consistent set of pressures, both internal and

external. They also know that the sector, taken as a whole, is not moving fast enough to adapt. In our paper on building the modern finance function, we characterized the move to a truly modern finance function through three transitions:



## From 'compliance' to 'smart compliance'

using automation to create compliance as a state rather than a process.



## From 'reporting' to 'operational intelligence'

going beyond the statutory to deliver real insight across the organization.



## From 'planning' to 'foresight'

leaving behind the rancour of the budgeting exercise for a more informed and collaborative exercise in examining evidence-based scenarios to select the optimum approach.

These are crucial steps that every organization must take along the road to developing a truly modern finance function. But they are not the only way to examine the transition. Over the course of our recent dinner discussion, we examined the challenge from a different direction, looking at the pressures facing the finance function: the challenge to its role in the business, the struggle to secure investment in the back office and the issue of skills and career development.



## Who owns the truth?

Finance has always been the home of the truth inside an organization. The numbers don't lie. But the numbers to which finance has access are often retrospective. Increasingly, sales, marketing and operations have been investing in developing numbers that are real-time – perhaps even predictive. CRM, marketing automation and analytics are offering leaders greater insight into the pipeline than ever before, diminishing the role of finance.

This is particularly galling for finance, as the former home of computing in business. Computing was employed to crunch the numbers, delivering payrolls in a fraction of the time and cost of the human labour equivalent. Now though, other functions have been faster to adopt new technologies and are taking primacy as owners of 'the truth'.

Worse, the role of finance is being actively undermined by technology. The mechanical skills of manipulating numbers will be required less and less, as machines increasingly talk directly to

machines. Tomorrow's finance team may be highly skilled, but it is almost certainly smaller.

## Investing in tomorrow

There is no counter to the march of automation: ultimately much of the manual labour of finance will be handled by machines. The only answer is to ride the wave rather than fight it, Canute style. But this takes investment, something that is not always forthcoming for what is seen as a 'back office' function.

Many of those around the table acknowledged the challenge of securing even small sums of investment in financial technology where the impact wasn't immediately apparent on the bottom line. Perhaps further evidence of the loss of primacy of the finance function.

The most powerful argument presented for investing in the technology of finance was around risk. The risk of failure in the constant re-keying. The risk presented by a lack of agility and the inability to offer insight. The risk of knowledge-loss as a capable individual leaves.

## Future finance skills

The third issue discussed was about people, and the reason people are leaving the finance function – particularly the most capable. The lack of investment in finance has left the most capable people continuing with manual data work well into their careers, and the lack of opportunity for strategic engagement and business partnering has seen them look elsewhere for development. The result has been a ‘brain drain’ of those most capable of taking finance forward, and a lack of willingness of the best new recruits to take finance forward.

**Prophix’s Daniel Mason highlights three skills particularly: communication, systems thinking and planning & analysis.**



### COMMUNICATION

is crucial to re-establishing or at least reinforcing the role of finance in the business. Finance needs to be the most outward-facing function, taking its insights out to sales, marketing and operations, not waiting to be asked. Great finance teams of tomorrow need to be able to help the business to ask the right questions, and help them to find answers.



### SYSTEMS THINKING

is fundamental to underpinning ongoing investment in finance. Systems thinkers will be able to identify those opportunities to automate and integrate existing processes, cutting risk and freeing time for more high value activities.



### PLANNING AND ANALYSIS

the final key to transforming the work of the finance function, from retrospective to forward-looking. Once the mechanics and the compliance issues are automated and maintained automatically, the finance function can focus on the future. That means skills of discovery, modelling and data presentation to inform colleagues about the potential of different scenarios.

# Transforming the Finance Function

Tomorrow's finance function will look very different to today's. The only question is whether the motivation for change comes from inside the organization, or outside. In either case, automation is likely to shrink the size of the finance function, at least with regards to traditional finance capabilities. But there is an opportunity for finance to expand its remit and its reach. To become a partner across the business, wherever the skills of numerical comprehension, planning and analysis are required. To be the strategic support service for the business that owns truth, interprets reality and informs decision-making.

Some finance professionals and their organizations are well on the way to making this transition. But for the rest, now is the time to drive investment, not just in the technology but in the skills of truly modern finance function.

## About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation and reporting—improving a company's profitability and minimizing its risks. Thousands of forward-looking organizations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.

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