eBook

The Changing World of Finance

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Chapter 1

Leading through uncertainty.

The business world has always grappled with change—yet nothing can compare to the levels of disruption and uncertainty leaders have recently faced. Even before the coronavirus (COVID-19) pandemic, a variety of political, economic, social, environmental, and technological factors were creating a perfect storm for disruption. These macro-forces continue to challenge the ways in which organizations think about doing business, raising many questions about what the world will look like when the storm passes.

It's understandable that many organizations are struggling. How do you plan for the future with so many unknowns? How do you prioritize when so many external forces can reshape your business in the blink of an eye? How do you stay focused when the pace of change requires your business to pivot with little or no warning? In order to adapt and thrive, businesses—and the finance function, more specifically—need to shift how they operate.

While change and uncertainty can sometimes be painful, they can also create new opportunities for success. This is particularly true for finance. CFOs must be prepared for both short- and long-term uncertainty to fully understand and mitigate risk for their organization. To become the strategic guide the business needs, finance leaders and their teams must accept and embrace continuous change as part of the new normal.

How, exactly, can finance leaders do this? By prioritizing agility, delivering deeper insights for smarter decision-making, and getting the business what it needs, fast—whether at the office, at home, or on the other side of the world. Finance can lead organizations out of the unknown and into an even brighter tomorrow.

Read on to learn how you can achieve the agility, insight, and efficacy you need to embrace change and lead your organization into the future.

Workday for Finance
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Gartner Magic Quadrant for Cloud Core Financial Management Suites
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Chapter 2

Steps to achieving finance agility.

Agility is the talk of the business world today—and given recents events, that's hardly surprising. Against a backdrop of uncertainty, agile businesses can rapidly adjust their people and processes to create more value and react to changing conditions. Here's what it takes to achieve agility in finance.

1. Perform continuous what-if scenario modeling.

Volatile conditions demand rapid scenario modeling. According to McKinsey, finance leaders should be focused on three or four independent scenarios that reflect short- and long-term revenue and cost outlooks.

Driver-based models that incorporate a wide array of financial and operational metrics—from subscribers and average selling price to productivity and utilization—enable organizations to run the holistic what-if analyses necessary to support critical and timely decisions. Sensitivity to and analysis of these key drivers allows finance to test the impact of various what-if scenarios and explore multiple courses of action.

Moving from annual planning to continuous planning opens the door for finance to reforecast quickly. Businesses can save time and decrease gaps between their assumptions and actual market conditions. Consider the flip side: if a business creates a single annual plan with a budgeting process that took months to execute, that plan will be out of date by the time it's approved. In fact, organizations in this situation at the outset of the pandemic quickly saw the drawbacks, spurring many to deploy a cloud-based planning solution.

Moving from annual planning to continuous planning opens the door for finance to reforecast quickly.

2. Stress-test cash position to identify liquidity risks.

In a rapidly changing business landscape, the phrase "cash is king" comes into sharper focus. In fact, 78 percent of corporate treasury professionals indicated that enhancing liquidity and cash management is a top-three priority for their company when working to overcome a crisis.

Crises without a clear end in sight can place significant pressure on a company's overall financial situation, forcing it to rely on liquidity reserves, raise additional capital, or cut costs to offset reduced income. Such uncertainty means that finance leaders must have multiple scenarios to understand the company's cash position in the near-, mid-, and long-term. Finance must also ask the questions "How much cash do we have?" and "What cash can or cannot be used?"

Yet, while having a consolidated view of cash may be the goal for finance, achieving that vision is a challenge. For most organizations, having visibility across disparate cash sources requires manual effort. Given the speed of change, the inability to quickly assess your global cash position becomes a barrier to finance agility. To optimize investment strategy and fund critical business needs, finance requires real-time insight into a company's daily cash position. Recent research bears this out: According to The Hackett Group, one of the top five imperatives for CFOs post-COVID is using advanced analytics tools to segment overdue accounts and drive collections contact strategy as well as to automate the end-to-end cash cycle to enhance cash-forecasting accuracy.

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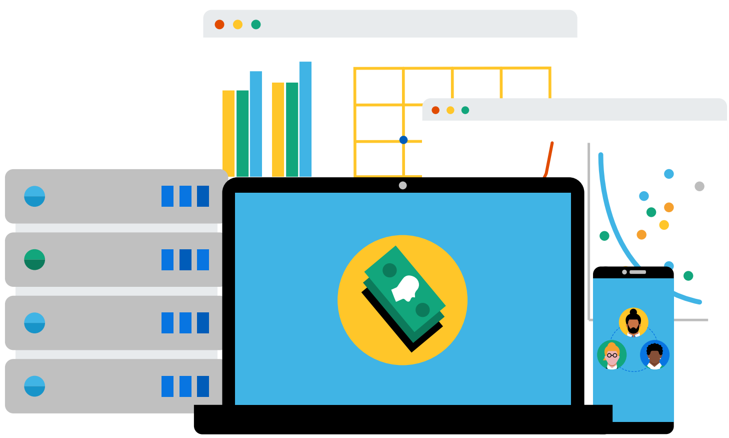
3. Monitor vendor performance, assess risk, and pivot to optimize supply base.

Beyond cash flow and liquidity management, businesses must also take a closer look at the agility of their supply base. Manual processes and outdated technology result in limited insight into supplier relationships, performance, and terms, hindering procurement's ability to execute contingency plans and drive immediate business impact.

Optimizing these processes becomes increasingly important when suppliers are impacted by a crisis. Sourcing teams should consider investing in technology designed to determine which partners are strategic and which are not. In fact, increasing alignment and collaboration—not only with other teams but also with the wider supplier community—is crucial in managing the success of the supply base.

With these partners identified, sourcing leaders are able to strengthen their partnership with suppliers to improve cash flow, minimize risk, and ensure business continuity. With real-time collaboration technology, sourcing teams can strengthen their relationships not only with the business, but with each other and their suppliers as well.

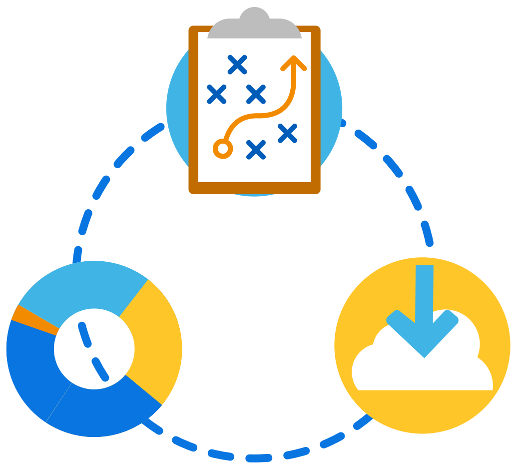


4. Quickly implement policy and program changes.

With the business world rapidly changing, many legacy finance systems can't come close to providing the support needed to adapt. They lack the flexible foundation necessary to quickly and easily support change. And in today's world, that's a huge disadvantage.

If your architecture and processes are not built to pivot quickly, then you have a problem. For businesses bound by system constraints, many of these changes—such as amending workflows and changing reporting dimensions, organizational structures, payroll, and general business reporting—require the intervention of IT. These time-consuming, complex IT projects are in turn resource-sapping and frustrating.

What's more, finance today requires continuous access to real-time insights and the ability to act on them. That's why many finance organizations are accelerating their digital transformation initiatives in the wake of the pandemic. They've learned the value of easily creating new dimensions for analysis and reporting, and establishing new controls and workflows while maintaining existing ones.



Practical Steps for Business Agility:
An Essential Guide to Active Planning
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Organizational Agility and the CFO:
Finance Leading from the Front
Read Blog

Chapter 3

Insight can guide the way to business recovery.

As the global economy gets back on its feet, business leaders are looking to CFOs to guide them toward recovery. What insights do businesses need in order to best respond to persistent change? Let's take a look at three key areas finance must address to emerge from this period in a position to thrive.

1. Gain greater visibility into working capital.

Many organizations have seen tremendous volatility in their revenues during the pandemic. In fact, 94 percent of the *Fortune* 1000 are seeing coronavirus supply chain disruptions and realizing that they will need to become more agile in managing inventory. Fragility across the entire procure-to-pay cycle can impact working capital and how organizations manage it.

Finance must be in a position to provide immediate insight into the organization's cash position, including cash inflows and outflows, with the broader organization. During times of crises, business leaders must have a thorough understanding of the company's cash position in order to fund growth initiatives, adjust the level of existing investments, or reduce the level of risk across the organization.

Improving visibility into working capital also means having the systems and processes that allow the business to adapt payment terms, cash collection goals, and inventory needs. Finance should be able to provide the business with real-time reporting on cost savings by category spend, total visibility into project pipeline and spend, and visibility into the overall health and performance of supplier relationships.

2. Empower the business to make data-driven decisions.

Getting data-driven insights into the business can be challenging when change is constant. But deeper, real-time insights are absolutely key in empowering smarter decision-making.

This was clear from a global Workday study of business leaders where technology laggards—those lacking organizational agility—stated that out-of-date information and siloed teams are major barriers to the democratization of decision-making. At the other end of the spectrum, 80 percent of technology leaders from more agile companies stated that employees have access to timely and relevant data without gatekeepers blocking access to such information, compared to just 24 percent of laggards.

This mismatch makes sense. As businesses grew and evolved, they had to rely on multiple data sources and reporting tools to paint a complete picture. For finance, this makes it challenging to confidently report on performance, identify variances, and surface risk—three vital components that can delay business-critical decision-making.

3. Manage investor expectations with periodic guidance.

For many companies, one of the most difficult parts of the COVID-19 crisis has been the uncertainty regarding the long-term future. But in the short-term, finance will have to consider the impact of the situation on guidance, and whether it needs to withdraw, revise, or reaffirm. According to Deloitte, the preference of most investors may not be available against the backdrop of a rapidly changing environment—and scenario planning to forecast potential impacts and associated consequences of areas of particular interest to investors, such as covenants, can be a big help.

FSN Report: The Future of Analytics in the Finance Function
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Advancing Analytics: The Path Forward for Finance Leaders
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Chapter 4

Boosting finance efficacy with intelligent automation.

CFOs have long looked to reduce the time spent on core processes—and recent changes to where and how businesses operate have made this even more important. Fortunately, new technology, such as robotic process automation (RPA) and machine learning, are poised to transform the way finance operates. Here's how these innovations can increase finance efficiency and effectiveness across the board.

1. Eliminate tedious day-to-day tasks.

Finance should automate many of the repetitive and transactional tasks requiring manual intervention, but it shouldn't stop there. CFOs should also identify where machine learning can be applied to detect, predict, or recommend to make a transaction or process "smarter." How does it work? Once the machine learning algorithm sees a pattern, it's capable of applying the same result over and over. And the more data it sees, the more patterns it identifies, and the more accurate and "smarter" it becomes. With this kind of machine intelligence, finance can create highly sophisticated automated processes and free up time to advise the business.

From a cost and efficiency perspective, the evidence speaks for itself. A recent article from *CFO Dive* states, "A company with a 20-person finance team typically loses the equivalent of 1,920 hours annually, or an estimated $124,800 in costs, to manual tasks. A big company with a 100-person finance team might lose 9,600 hours, at an estimated $624,000 a year."

While automation and machine learning can benefit finance in myriad ways, the biggest impact may be in meeting the growing demand for insights, reporting, and analysis.

2. Closing the books with much less stress.

For many finance teams, any period end is a stressful time. That's due in large part to the number of systems and stakeholders involved in the financial close process. And doing all of this remotely has made it even more challenging.

Robynne Sisco, president and CFO at Workday, felt the pain firsthand in previous organizations where she worked. "Each month, finance would have to close the period, access the data, reconcile it, format it, and analyze it. By the time we delivered the numbers to the business, it was two weeks after the period ended and too late to take action," she says.

But transforming finance with cloud-based systems can streamline the process. A key advantage is the relative simplicity of deployment. Updates are much easier to deliver, and the cloud makes it simple to scale up and add more services. And because the data isn't locked in an on-premise system, it's that much easier to access the information for a remote close.

Security is also a strength of cloud-based systems. Enterprises can leverage expertise rather than develop it. Many vendors are strategizing long-range plans to offer only cloud-based solutions—a major trend for companies looking to invest in technology for the finance function. For leaders driving transformations within finance, the increasing availability of cloud solutions is a major opportunity.

3. Deliver deeper insights even faster.

While automation and machine learning can benefit finance in myriad ways, the biggest impact may be in meeting the growing demand for insights, reporting, and analysis. Perhaps that's why just over half of businesses (55%) have implemented at least some finance digital transformation initiatives.

As more pervasive automation becomes the norm for finance, manual data gathering, consolidation, verification, and formatting will virtually disappear. Today, these non-value-added tasks are enormously time-consuming, leaving finance little time for analysis. As these routine processes become more automated, finance teams will be able to focus on value-add activities, such as scenario planning, risk assessments, performance, and predictive modeling.

"With new sources of data come new analytics techniques and a search for insights. Organizations will apply their usage of automation and data mining techniques over planning, delivery, and outcome data to enhance visibility and tracking across those processes," says Jason Byrd, partner, Technology Business Management, KPMG. "New insights will allow teams to capture timely data to analyze velocity, deployment, and customer response, creating a feedback loop of decision-making and course correction."

How Finance Can Navigate Uncertainty
Learn More

Q&A with The Hackett Group: Finance Automation and the Road to Digital Transformation
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Chapter 5

Transforming skills and culture for the digital age.

CFOs need to imbue finance with new skill sets and knowledge bases to meet the evolving expectations of the business. But they must also go even further. Real finance transformation requires a new approach to business ethics and culture. Let's see how rethinking skills and fostering a culture of trust and integrity can position finance to lead in the digital era.

1. Make data science an essential skill.

CFOs and finance teams will need to understand how to harness data to tell a business story that explains context and the reason behind a decision, and answers "what if" questions.

Technology will play an important role in data providing more timely, accessible, and relevant insights. Cloud-based financial management systems, in-memory databases, visualization tools, and mobile technology are enabling finance leaders to move beyond just analyzing historical financial data to accessing real-time insights about business performance. Even better, it's making it easier to deliver these insights to other business leaders, further strengthening those partnerships.

Looking ahead, finance teams will increasingly use analytics to run predictive models and develop better forecasts. Understanding technology and systems—and how they can enable greater efficiencies, agility, and insights—will be critical.

Finance's journey to become a more strategic function will also depend on finding skills that enable it to embrace digital technologies, such as artificial intelligence and machine learning. That requires a shift to more technical skills and collaborative partnerships with IT leaders.

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2. Put trust and integrity at the core.

It goes without saying: CFOs and their cohorts need technology they can trust. They need confidence in the data that's at their disposal and to know that their technology partners can meet their architectural, operational, and organizational security requirements.

But finance must also earn trust by helping to build a culture that sticks to its convictions. More than ever, employees and customers want to associate with businesses they can trust—and 2020 has only intensified this behavior. Customers make technology purchasing decisions based on a broad range of factors, including environmental commitment; how partners treat their employees, customers, and community; and the partner's long-term commitment to serving customer needs.

Skills play a large role in helping finance foster this culture of trust and integrity. The *EY* study "How Can the CFO Evolve Today to Reframe Finance for Tomorrow?" argues that as markets become more fluid in the future, so will talent. As the authors state, "The leading and brightest finance people will probably choose to build their affiliations with organizations that can develop their skills. Developing a future talent strategy for the function—based on continuous and dynamic learning—will likely be important to earning the long-term loyalty and commitment of creative and talented finance professionals while meeting the challenges of constant change and disruption ahead."

How the Pandemic Amplifies Demand for Finance and HR Collaboration

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How Workday Customers Achieve Success in Finance

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3. Strengthen the partnership with IT.

Successful digital transformation requires partnership between CFOs and CIOs—and that takes trust and collaboration. While CIOs look to increase technology investments and embrace innovation, they must also secure and protect the intellectual property of their customers, employees, and organization. This may seem like it falls beyond the remit of the CFO, but both finance and IT want the success, growth, and profit that come with a data-driven enterprise. Working together to take full advantage of cloud computing makes this a reality.

Workday President and CFO Robynne Sisco understands the importance of this partnership. In a conversation with Workday CIO Sheri Rhodes, Sisco observes, "It's about the finance and IT organizations coming together to support the strategic objectives of the company, and a strong relationship between the CFO and the CIO will build the foundation for companies to innovate and grow. That becomes critically important, particularly in a world that's changing as fast as it is today."

Executive summary.

How finance can lead through uncertainty.

From the coronavirus pandemic to evolving regulatory environments and major technological disruption, the business world has faced unprecedented change in recent years—and it's likely to continue long into the future. But the office of the CFO is in a unique position to turn this change into opportunity, uncovering new ways to support the business and drive lasting success.

So how can finance leaders meet the demands of this digital era? By prioritizing these four areas, CFOs can tackle change with confidence and lead their enterprise into the future.

1. Achieve finance agility.

Effectively responding to change depends on your ability to anticipate it before it happens and pivot quickly when it does. A single source for finance data gives teams the power and flexibility to continuously perform "what-if" scenario modeling, stress-test cash positions, optimize your supply base, and quickly implement policy and program changes.

2. Understand the bigger picture.

As the organizations recover from pandemic-related economic slowdowns, finance must arm leaders across the enterprise with continuous access to deeper insights that drive smarter decision-making. Technology can help CFOs get a complete picture of the organization's financials and operations that in turn empowers teams to make data-driven decisions that produce better business outcomes.

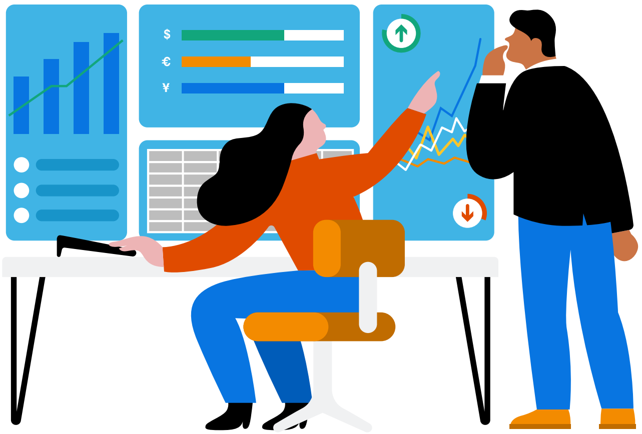
3. Boost finance efficacy.

Automation and machine learning are poised to transform the finance function and enable CFOs to more strategically support the business. By leveraging advances in these innovations, finance can increase its efficiency and productivity by eliminating tedious day-to-day tasks, streamline the consolidate and close process, and quickly deliver real-time insights to decision-makers.

4. Transform skills and culture.

The role of finance within the organization has evolved far beyond simply managing finances. In order to lead now and into the future, CFOs need to make data science a core competency and help foster cultures of trust and integrity with employees and internal stakeholders in addition to external business partners and the public at large.

To learn more about why our customers choose Workday and how we help organizations of all sizes meet the future with confidence, visit workday.com.



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