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Future of Finance: 10 Trends to Watch Now

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10 Trends to Watch Now

"CFOs who take swift action on these trends will not only focus finance strategic planning for 2020 (and beyond) but also develop the skills and characteristics required for the future of finance."

Craig Wilton
Senior Director, Advisory
Gartner

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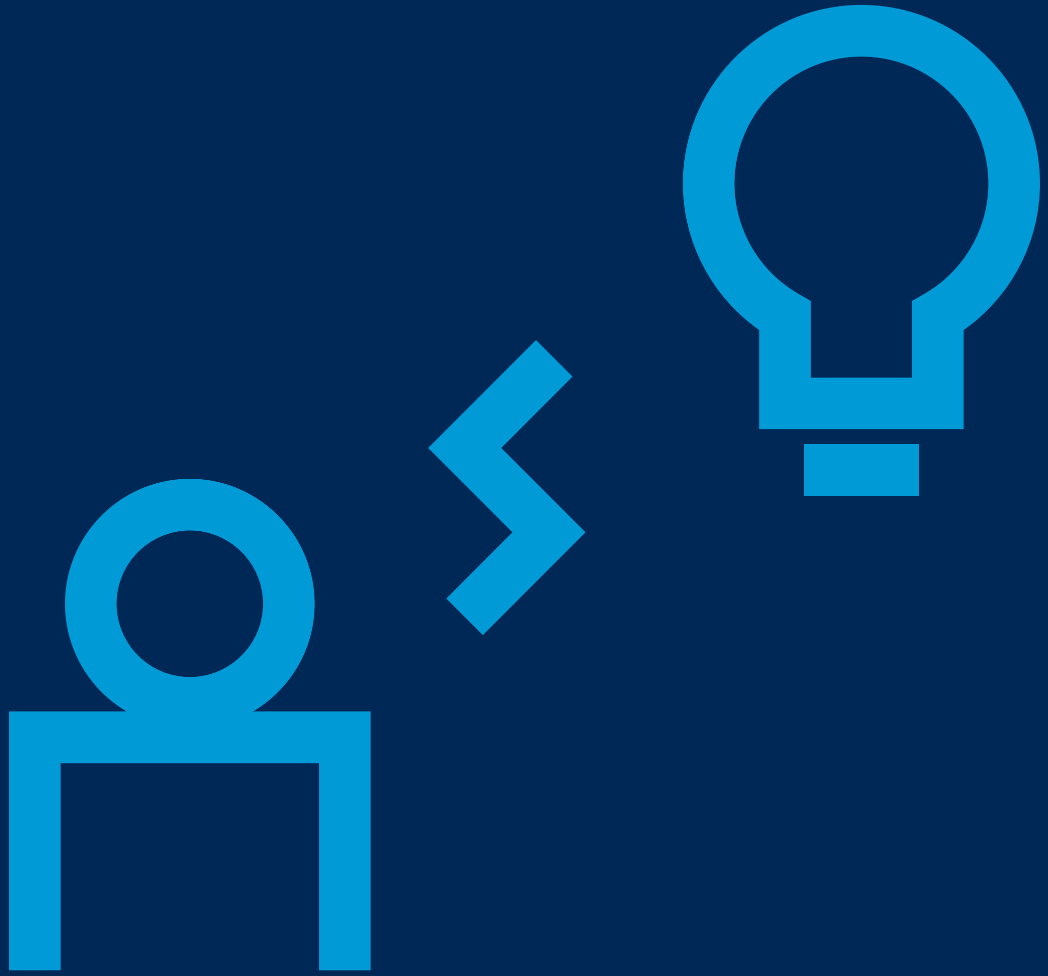
01

Digital is creating a skill disconnect

66% of finance leaders believe the function’s digital competency gap is widening relative to the pace of evolving technology.

Source: 2019 Gartner Digital Talent Gap Survey



Digital is creating a skill disconnect

What's happening

Talent management strategies are evolving to meet emerging competency requirements of digital transformation.

CFO action step

Revise competency models to inform how you recruit, develop and retain employees.

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New competencies and associated behaviors will help finance drive better business decisions.

Example: "Digital translation" is the ability to understand how digital technologies interact with the corporate ecosystem. It will enable finance to explain finance models and insights generated by digital technology (e.g., algorithms) in business-friendly terms.

Mapping competency gaps and gauging their importance is key.

Learn four keys for adapting your leadership style to evolving finance workforce needs

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"The lack of clarity on which digital competencies matter leads many finance leaders to prioritize the wrong skills or wait too long to act. Either approach widens the gap between the business's needs and finance's ability to deliver against them."

Markus Hofbauer
Director, Research
Gartner

02

Demand for decision-ready data

73% of finance functions have responded to the data boom by promoting greater use of corporate-approved performance data from a centralized, finance-governed source.

Source: 2019 Gartner Data Management Model Survey

Demand for decision-ready data

What's happening

As organizations grow increasingly global and the speed of business picks up, data is sourced and captured in a distributed fashion.

CFO action step

Distribute governance to data owners where appropriate to capture "sufficient versions" of the truth, as opposed to using a one-size-fits-all centralized data governance model.

"Finance leaders tend to undervalue the importance of a single source of governance over the enterprise's performance data. Finance should bring a value-driver lens to data management."

Randeep Rathindran
VP, Team Manager
Gartner

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A sufficient versions of truth approach:

- Yields over 40% higher contribution to decision readiness of performance data relative to single source of truth
- Improves the quality of decision making and business outcomes by more than 2x

Learn the new approach for creating decision-ready management reporting
Download E-Book

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03

(Re)centralization of finance analytics

67% of FP&A FTEs work in the corporate center, 27% in business units and 6% in centers of excellence or shared service centers.

Source: 2019 Gartner Data Management Model Survey

(Re)centralization of finance analytics

What's happening

As finance seeks to reduce costs while improving analytical insight, many organizations are relocating finance analytics in scalable, centralized models.

CFO action step

Determine which types of analysis should be owned by the center or the line.

Develop a scalable partnership model to sustain high-quality customer service.

"Decentralized service delivery models often drive inefficiencies due to the generalist nature of embedded finance roles. Smart teams are centralizing their front-office activities in order to provide higher quality outputs in more scalable ways."

Peter Nagy
Director, Advisory
Gartner

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The front-office paradigm is shifting toward shared delivery models.

Providing decision support by operational decision type (pricing, inventory, renewals analysis, etc.) is 2.5x as effective as business generalist models at driving financially sound operational decisions.

One organizational design option is the hub-and-spoke model. Strategic data analytics is located in the center of excellence (COE) hub. Business "interpreters" from finance are colocated in the business and the COE.

(Re)define the finance analytics support that the FP&A team provides
Download Guide

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04

Reporting goes on-demand

41% of decision makers wish management reports gave them information more relevant to their part of the business.

Source: 2019 Gartner Panel Survey of Decision Makers on Data Management Practices

Reporting goes on-demand

What's happening

Stakeholders are gaining real-time access to self-service data, complemented by advanced analytics.

CFO action step

Better leverage technologies and improve data modeling capabilities to deliver relevant insights through future-state reports.

"Multiple analytics and BI vendors offer natural language interfaces for users. With embedded machine learning and semantic knowledge graphs, we'll soon only need to speak into the microphone to get the insights we need."

Grant Nelson
Senior Director, Analyst, Research
Gartner

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Integrated on-demand reporting will:

- Provide real-time access to data through self-service channels
- Utilize advanced visualization tools and techniques
- Embed advanced analytics into reports
- Adopt artificial intelligence (AI) and machine learning (ML) functionalities for enhanced support

Benefits:

- Reduces wait time, increasing report timeliness.
- Natural language interface provides access for nontechnical users.
- Continuous dialogue enables additional exploration by the business.
- Machine-generated insights and narratives highlight important data.

Learn four keys for upgrading finance analytics capabilities
Read More

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05

An emerging fourth era for ERP

The new era of ERP has arrived: enterprise business capabilities. By 2023, 65% of organizations will be using applications that encompass one or more of the business-enabling hallmarks of the new era of ERP.

Source: Gartner

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An emerging fourth era for ERP

What's happening

Enterprise resource planning (ERP) vendors are offering more core finance applications in the cloud where intelligence systems like automation, AI and ML are not an add-on but embedded in the ERP.

CFO action step

Embrace standard global processes across the organization and be ready to work with real-time operational data and intelligent platforms.

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ERP has become synonymous with an enterprise's "backbone" systems, but it is no longer about systems solely within an enterprise. New technologies will reinvent ERP (which may not be called ERP in the future) to deliver business value.

6 hallmarks of the fourth era of ERP

Source: Gartner

Learn how AI embedded in financial management applications is fundamentally changing finance processes
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"AI- and automation-enabled ERPs are the catalysts of digital transformation within an enterprise. CFOs should harness the data and processes within the ERP system to redefine the future of work and reshape the finance organization."

Nisha Bhandare
Senior Director, Analyst, Research
Gartner

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06

The AI revolution has begun

Currently 2% of FP&A functions and 7% of shared services have adopted AI.

Source: Gartner

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The AI revolution has begun

What's happening

In the coming decade, AI will optimize or transform nearly every activity in finance.

CFO action step

Educate yourself on how the function will change, prepare your teams with new skill sets and explore investments necessary to deploy AI.

"Will AI take your job or your team's job tomorrow? Probably not. Will it fundamentally change how you work in five years? That's up to you."

Clement Christensen
Senior Principal, Advisory
Gartner

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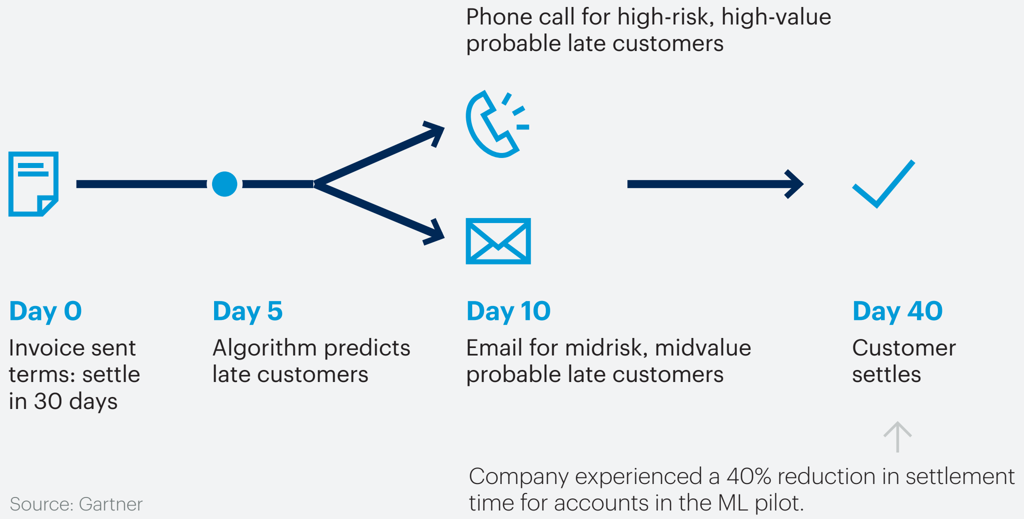
The data infrastructure will be reconstituted to support AI.

AI in action: Machine learning improves accounts receivable process



Source: Gartner

Prepare for AI to influence investor decision making
Download Research

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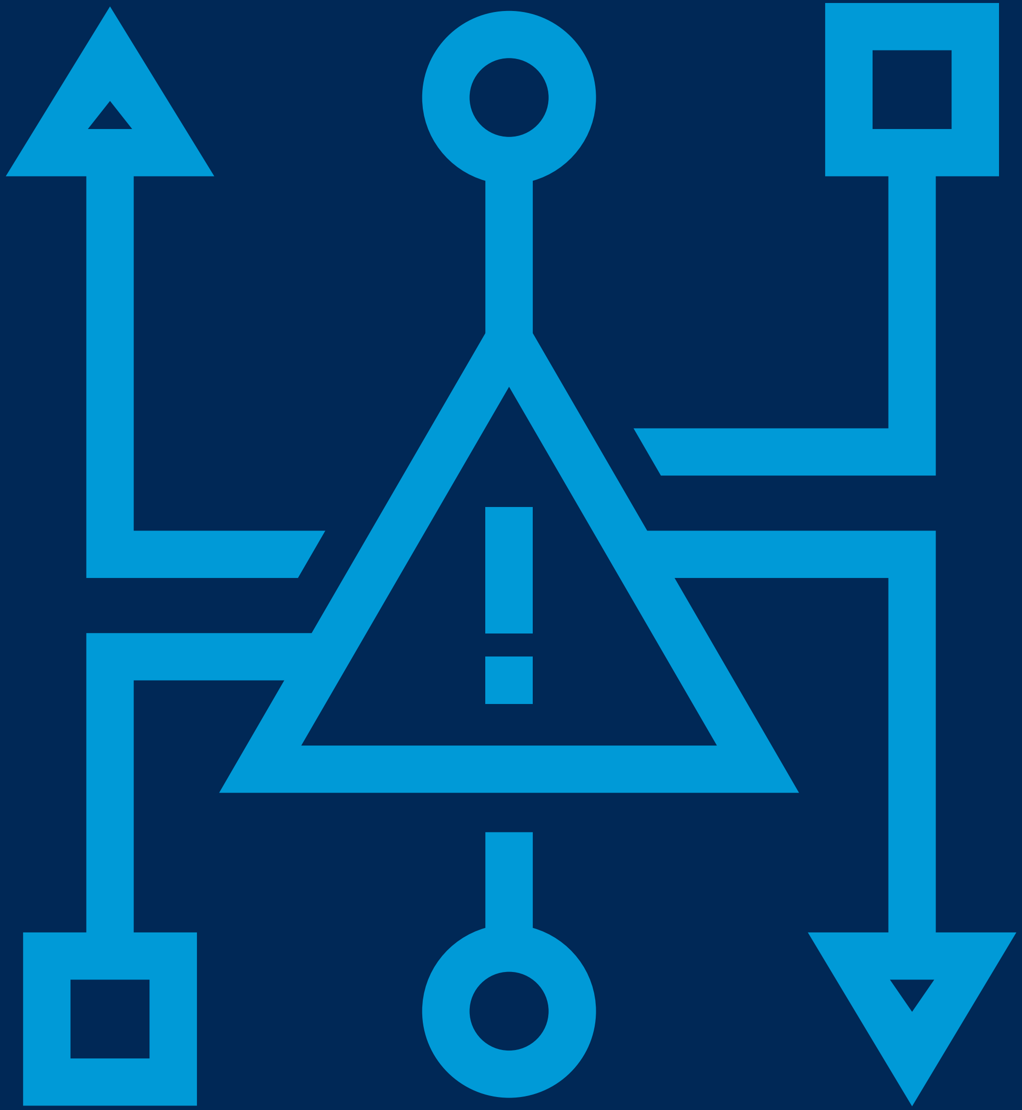
07

RPA putting internal controls at risk

88% of corporate controllers will soon be using RPA within their function.

Source: Gartner



RPA putting internal controls at risk

What's happening

As robotic process automation (RPA) and other digital technologies become commonplace, internal controls teams may be unaware of proposed digital use cases, so they enter production with unknown financial reporting risk.

CFO action step

Establish the right internal controls to assure against financial reporting risk with minimal reduction of implementation speed.

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Putting the right internal controls around RPA will lead to shifts in the conventional segregation of duties (SOD).

For example:

- To increase utilization, SOD controls will shift from bot interactions with the process to human interactions with the bot.
- To increase control, bot supervisors will be hired in to take on more granular ownership of human-bot interactions.

Learn the five fundamental steps to effective robotics governance
Download Checklist

"It's essential to define internal control and governance for RPA programs. To fully utilize bots and cost savings, clearly delineate the responsibilities of bot development, bot operations and bot outputs."

Joey Mixon
Director, Advisory
Gartner

08

Unlocking growth through supplier collaboration

Without rigorous contract management, up to 75% of the value achieved during strategic sourcing can erode within 18 months of signing a contract.

Source: Gartner

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Unlocking growth through supplier collaboration

What's happening

CFOs are constantly looking for new sources of growth; traditional investment approaches won't get them where they need to go.

CFO action step

As your organization becomes increasingly reliant on suppliers for key capabilities, create more value from existing supplier relationships.

> **"Procurement must develop a process for effective engagement with the right set of suppliers that monitors ongoing risk and fosters partnerships to identify innovation that will have commercial impact for the company."**

Chris Testa
Director, Advisory
Gartner

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Supplier collaboration will help you gain a competitive advantage and surface additional growth opportunities.

Benefits:

- Priority from supplier in times of tight supply/capacity
- Faster problem solving and/or speed to market supply
- Cost-efficiency of supply chain
- Access to supplier ideas and innovations ahead of competition

Learn four global finance best practices for investing in innovation and growth
Explore Best Practices

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09

Growing use of shared services

69% of shared services leaders say it’s important they address the lack of alignment between current technology needs and future success.

Source: 2020 Gartner for Finance Leaders Agenda Poll

Growing use of shared services

What's happening

Shared services has moved far beyond finance transaction processing, now including value-added services in finance and beyond.

CFO action step

Work with shared services and business unit leaders to identify the full range of opportunities for growing the shared services model to include insight creation.

"Technology is aiding companies in maturing their shared services models, allowing them to broaden their customer and geographic reach and provide greater value and insight to internal customers."

Tamara L. Shipley
VP, Team Manager
Gartner

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The focus of mature shared services organizations will shift from cost reduction to value delivery.

Process experts become digital experts, who not only understand process strategy and problems and current solution options but are also expert in "digital sensing," which encompasses:

- **Problem sensing:** Identify the most impactful process problems to match with the most relevant digital solution(s).
- **Solution sensing:** Identify digital solutions with broad applicability in shared services.

Learn the five characteristics of the most successful shared services organizations
Read More

10

Cost scope harms efficient growth

Since 2010, only 5% of companies have outpaced peers in top-line growth and short-term margin expansion while also maintaining industry-leading cost structures (what we call efficient growth).

Source: Gartner

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Cost scope harms efficient growth

What's happening

Overall corporate cost growth has outpaced revenue by 1.8x compounded annually since 2014.

CFO action step

Build scale, not scope, into cost structure to achieve long-term revenue growth, long-term cost reduction and short-term simultaneous growth and margin expansion.

"It feels intuitively correct to pursue growth by expanding scope — new products, new markets, new adjacencies — because executives are hard-wired to believe that diversification is good. However, it's almost always a recipe for underperformance."

Jason K. Boldt
Director, Research
Gartner

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An efficient growth approach pursues growth from the starting point of cost (not on obtaining growth and figuring out cost performance later).

Key differentiators of efficient growth companies:

1. **Focused growth bets.** They concentrate growth in fewer industries, competing in almost 20% fewer industries than peers.
2. **Simple product and service portfolios.** They consolidate products and services into 24% fewer lines of business.
3. **Dense footprints.** They compete in focused geographic locations and customer segments. They concentrate 20% more revenue in their largest geographic segment.

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