eBook

The Future of Finance

Next-generation chief accounting officer.

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Introduction

Persistent inflation, high interest rates, tight labor markets. Today's fierce financial headwinds are prompting business leaders to adopt an all-hands-on-deck approach, with CFOs frequently situated at the helm. But as CFOs take on an increasingly strategic role, there's more pressure on—and potential for—chief accounting officers (CAOs) to elevate their role as well, from being the stewards of data to providing value-added insights and strategic guidance to the C-suite.

Yet the elevated CAO profile comes at a time when traditional accounting teams are busy battling their own headwinds—namely, an alarming talent crisis, heightened regulatory complexity, and obsolete data management processes that simply can't keep pace with the volume and velocity of modern business data.

While talent woes impacted nearly all professions during the pandemic, accounting has seen its workforce decline for years. Roughly 75% of CPAs reached retirement age in 2020, according to the American Institute for Certified Public Accountants (AICPA). And there aren't nearly enough fresh faces to replace them. The number of U.S. accounting graduates dipped 8% between 2012 and 2020, an AICPA report found, while the number of graduates sitting for the CPA exam plummeted by more than one-quarter during the same period.

Analytical problem-solvers who might have once naturally gravitated toward accounting are instead being aggressively courted by the tech sector and other fields. And finance teams saddled with antiquated technology and cumbersome processes are finding it hard to attract and retain talent, particularly as the next generation places even greater priority on digital technologies and career development, surveys have found.

> "Accountants tend to be risk-averse by nature, which is why so many of us still work with old systems. But an ERP or an accounting system that was built 20 years ago hasn't evolved to deliver the flexibility and instant information and data analysis that today's changing environment demands.
>
> **Philippa Lawrence**
> Vice President and CAO, Workday

No surprise, then, that more than half (51%) of C-level executives feel too much manual activity is the greatest challenge in the accounting and finance function, according to KPMG's 2023 survey.

Some CAOs have found ways to move their organization ahead amid these headwinds. Empowered by cloud-native platforms augmented with AI and machine learning (ML), these CAOs have the necessary tools to delve into data, connect the dots to understand what's driving profitability, and surface decision-ready insights for the C-suite. They're also using technology to make the most of the talent they have and attract the skill sets they need, dramatically reducing non-strategic work, automating error correction and anomaly detection, and enabling accounting teams to focus on continuous analysis and action.

"One of the biggest challenges CAOs face is finding and retaining talent that isn't only strong in accounting but is also proficient in data analysis and using predictive tools and technologies," says Joe Arena, firm controller at KPMG. "We're seeing that those skills are really critical, and we're in the early stages of enabling our teams to develop those skills and apply the tools and technologies."

Nearly half (49%) of executives say CAOs need to further develop skills in data and analytics in order to be a successful business partner, KPMG's survey found. AI and automation allow accounting teams to escape the confines of a financial reporting period and do more strategic and analytical work.

For CAOs to achieve this lofty mission, they must have a data strategy—something many organizations may not be thinking about. In fact, a recent survey conducted by Harvard Business Review Analytic Services and Workday reveals that only 14% of finance leaders are fully confident in the integrity of their data. Further underscoring the urgent need for a trusted source of data is the finding that 88% of finance leaders say fostering a data-driven culture in finance will be critical to future performance.

So, where do organizations begin? It starts with enabling new ways of working, embracing innovation, and tapping technologies that are designed to adapt in the face of change. Here are five priorities that will position CAOs as strategic leaders and help them drive transformation across the organization.

30%

of finance leaders say tools for developing and upskilling finance employees is the top benefit of digital finance transformation, according to a 2022 Workday survey.

1

Adopt a transformational mindset.

Change comes with risk. And the bigger the change, the greater the risk. That's why many CAOs prefer a phased approach to transformation. But time is now of the essence. Against the current backdrop of economic uncertainty and technology disruption, accounting teams are rapidly reaching a tipping point—where falling behind is a bigger risk than leaping forward.

"As humans, we are creatures of habit," says Michael Conway, chief accounting officer and corporate controller at insurance intermediary Brown & Brown. "It is our natural place to stay consistent and follow routine, but when you embrace change, you have the opportunity to make the change you want to see, and that can be really exciting."

Nearly three-quarters of CAOs now have an active hand in mitigating the business impacts of inflation, according to KPMG, and roughly two-thirds are tasked with analyzing the business impacts of higher borrowing costs. From analyzing and correcting contracts to informing hiring plans across various business functions, CAOs are now taking on tasks that go well beyond the traditional remit of accounting. But these new tasks are all but impossible to tackle when they're piled on top of day-to-day activities performed with outdated processes and systems.

"Any time there are economic headwinds or something that destabilizes the markets, people take a step back. Some will pause or defer their technology investments," says Arena. "But many pursue transformation in spite of—or perhaps because of—the disruption. Depending on the technology, there's no question investing in transformation can be strategic."

Technology is a cornerstone of transformation, but it's only one piece. For today's CAOs to partner with the business and drive adaptability and constant innovation, they need to shift to a transformation mindset where they see change as opportunity. Then they must back it up with an open and agile operating model that breaks down silos and helps teams work more efficiently.

This operating model must adapt to both customer and market requirements, which demands collaboration among IT, accounting, and financial planning and analysis (FP&A). Consider the development of a new piece of software. IT is responsible for developing the product, accounting is charged with tracking the cost of development, and FP&A has to project sales. To work as efficiently as possible, each team needs to be working with accurate, up-to-date data.

Creating these interconnections takes work—but also results in greater productivity, cost-efficiency, and access to information. And Workday research finds that companies with high alignment between IT and finance teams are twice as likely to have a digital transformation plan than those that are never or are rarely aligned. With the right outlook, CAOs have the opportunity to fundamentally reshape the accounting function, elevating its strategic contributions to the business and future-proofing the organization for a changing world.

2

Reimagine your data management.

CAOs are the custodians of financial data. They analyze, validate, and report on key metrics, continually assessing the organization's financial health. By keeping their finger on the pulse, they can help the executive team make stronger, swifter business decisions.

And now the C-suite is looking for even more from accounting. In fact, 83% of executives expect CAOs to provide analytical insights from financial and accounting data. However, nearly half (49%) say this is an area where CAOs fall short, according to KPMG.

The lack of digital maturity can be a tremendous barrier for organizations, impacting near-real-time insight from "finance-ready" data that's critical in today's volatile environment. Inconsistent and disparate data sources require excessive reconciliation and are one of the biggest obstacles that hold CAOs back.

"We think we're right, and they think they're right," Lawrence says. "In the meantime, the CFO is waiting for numbers."

Traditional accounting structures and rigid code blocks also strip away transactional detail—and its potential value. Business intelligence tools and data warehouses have become common work-arounds to layer in additional dimensions, but exporting data makes processes more complex and data less timely, and it often requires heavy reliance on IT support.

In addition to sharing data enterprise-wide, there is the need to integrate external data sources, including revenue data from front-office systems. By bringing this information together, they can identify broad patterns and big-picture possibilities. They can base business decisions on KPIs that measure performance, profitability, and success. And when accounting is created as transactions occur, leaders can quickly gain insights that will help them respond strategically to change.

In the modern environment of heightened disclosure demands; intensifying risk; and closer scrutiny of environmental, social, and governance (ESG) metrics, CAOs are laser-focused on compliance that depends on effective data management. Almost 60% of executives believe that CAOs are best positioned to drive ESG data collection and reporting, because they sit in a central function and analyze large volumes of related data.

At Workday, Lawrence says these data capabilities have dramatically elevated their conversations. Because accounting and FP&A teams are working with the same information, they can focus on finding new ways to improve performance.

"We don't have to have those not-so-pleasant conversations about the numbers fundamentally not agreeing," Lawrence says. "Now, we're always talking about the insights. So the actual relationship has evolved."

3

Unlock the value of intelligent automation.

As generative AI takes the world by storm, CAOs are starting to see the role advanced technology plays in helping them elevate the role of accounting. More than half (51%) of CAOs are looking to automate mundane tasks with cloud-based technology, according to KPMG.

Many CAOs have been waiting for this moment—when technology can finally live up to the expectations it's been promising. Reducing manual work and further streamlining processes are already top priorities, and where we see accounting teams routinely look at technologies such as robotic process automation to boost productivity.

"AI and machine learning are fundamentally changing our profession," says Lawrence. "And we need to lean in to have them be part of the team. Not as competition, but helping get us to where we need to be."

Enterprise management systems embedded with AI and ML at their core help accounting teams manage a longer list of responsibilities day to day. For example, automation can be used to initiate document creation and workflow, create alerts for unusual activities, and provide recommendations with explanations—as well as provide a complete audit trail.

While most CAOs see huge value in process improvement and automation enablement tools, only about half are using them. This means many organizations will be experimenting with these technologies in the near future. Those who successfully leverage AI and ML have the opportunity to accelerate innovation and help the organization embrace transformative ways of working.

"This is a fascinating profession," says Lawrence. "If you get AI and machine learning doing all that mundane stuff, you are stepping into analytics, supporting the business, and making a change."

4

Democratize data across the enterprise.

Every accountant can and should become an analyst and help optimize all aspects of the finance team and grow the financial acumen and accountability of the rest of the business. But when requests for data all flow through IT, the technology team can quickly become inundated. Strategic IT initiatives often get sidelined by labor-intensive reporting requests, while accounting is stuck waiting for critical information. As Arena notes, “In order to be successful in leveraging data, we have to have access to the data.”

Data disconnect.

Only 40% of finance and operations leaders say they’re very satisfied with their ability to compare and combine data across multiple business functions for drawing insights, according to KPMG’s “2023 Future of Finance” report.

Democratizing that access with a single system for data and transactions takes the burden off of IT and gives the business a single source of truth. With access to self-service reporting and role-based dashboards, accountants are able to run more real-time analysis to analyze financial statement ratios and better understand business drivers.

Intuitive data visualization tools can also empower teams to identify trends, risks, and opportunities—regardless of whether they have the technical skills needed to write SQL queries. Considering two-thirds of CAOs report a gap in data and analytics skills within their teams, making data analytics more accessible and intuitive can yield significant impact.

“I think the shift has absolutely happened where technology now is about: How do I enable and empower my people and unlock their potential?” says Brown & Brown’s Conway.

Real-time, enterprise-wide, unified data isn’t only a win for the accounting team, Lawrence says; it’s available to everyone—no friction, frustration, or fretting over controls necessary. Role-based user access and an always-on audit trail mean employees across the company can access the information and insights they need, presented in a form that makes the most sense for their needs.

“It’s always the right data, and it’s always accurate and up-to-date,” Lawrence says. “We’ve got this very flexible data model that’s able to give us whatever we want to report while allowing teams, including IT, to focus on more strategic projects. It’s incredible.”

5

Build business resilience through agility.

Adapting to changing customer or regulatory requirements can be time-consuming and costly. But when companies don’t react to shifts quickly, it can impact customer satisfaction and threaten critical compliance and business performance.

“Suddenly, the world could turn and require CAOs to increase the cadence upon which we are managing our liquidity and our working capital,” says Arena. “So that’s always an evolution.”

As expectations for agility and adaptability increase, brittle systems and rigid processes introduce a new type of risk. Modernizing systems, processes, and workflows must be part of every CAO’s risk mitigation strategy going forward.

Cloud-based systems can help organizations easily adapt to major changes in the market without disrupting the internal controls in place. A unified and flexible solution helps CAOs introduce simpler ways of working, while also providing them with greater oversight and flexibility during unpredictable times. A configurable workflow helps make agility possible, and by centralizing controls, they can track and document change as it happens, so the left hand always knows what the right is doing.

Even in the face of quickly changing business needs—say, M&A activity, market expansion, or new product lines—CAOs are poised to adapt and provide guidance that helps drive new goals forward.

“Adaptable technology enables finance teams to create a new dimension, legal entity, or business process quickly and easily,” says Lawrence. “You’re able to identify problems that the higher-ups haven’t even thought about yet, and now you’ve got the flexibility and real-time insights to be that great business partner.”

Accounting to the rescue.

CAOs face a thorny challenge: being asked to do more out of necessity at a time when they are also facing sharp talent deficits. Shifting to smarter technology and streamlined data systems can help accounting teams balance their resources and focus on more meaningful, impactful work.

Embedded AI, for one, can make the work more meaningful and empower people to add more value. By simplifying—without compromising—CAOs can attract next-generation talent, transform their approach to data management, and help their organization become more profitable and more sustainable.

"Ever since I started in accounting, I've felt like there has to be a better way than wasting so much talent and time and brainpower on things like reconciling numbers, but the technology dragged behind," says Lawrence. "Fast-forward to now, and the technology is absolutely available. It's fundamentally changing our profession, and it's time for us to lean into that change."

Pursuing the zero-day close.

Workday CAO Philippa Lawrence talks zero-day close, why it matters, and gives advice for other CAOs working toward real-time data.

What exactly does "zero-day close" mean?

The idea is that at any time, whether it's at the beginning of the month or in the middle, you instantly know your position. It's like the holy grail. The best thing you could ever ask for is instant, good-quality information.

As we think about data management being placed in accounting's hands, what is the value of integrating third-party data and automating accounting creation on that data?

Let's start with marketable securities, because I think it's an easy one to think about. Our marketable securities at Workday are held by an outside agent. We used to say, we've got this many million in this category and this many million in that category. With Workday Accounting Center, we've got all the data, all the transactions, in the general ledger. It does it instantly. And on top of that, not only does it do it quickly, but it also brings in treasury. The accountants generally don't need that detail, but our treasury friends are loving us because now they don't have to go to an outside system. They just stay in Workday so they know all their numbers are the right numbers.

How does having real-time data help CAOs manage risk?

When you're looking at an account, you expect it to be at a certain level. So, to give you an example, if you look at travel and entertainment, and you see it at a level of $10,000 every month—and then suddenly you see it at half a million. You say, "What on earth has happened here?" We've got a system that identifies where there's an anomaly or where there's something that looks really funky, and we'll bring that to the accountant who's responsible for that area. So you can address it immediately, and it doesn't get dragged along. Sometimes it's something as simple as that someone put in the wrong FX rate, and the translation made it half a million rather than $10,000. And so, you can get on it before the time crunch of a quarter-end.

How can companies apply emerging capabilities, such as AI and ML, in accounting? How do these tools enable access to real-time data?

I'm excited about scanning and optical character recognition and the impact these technologies are having on our daily work. We're able to use that in a couple of different areas. One of them is with expense reporting. You can scan your receipt, and then it prepopulates an expense report. Machine learning knows what expense code it needs to go to. And now we're able to scan 70% of our supplier invoices—and that's saving us four hours of work every week just from the data input.

Expanding the account team skill set.

KPMG's Firm Controller Joe Arena discusses how transformation is impacting—and expanding—the skills landscape for accounting.

With technology taking on more basic accounting tasks, which skills have become more important for CAOs to have on the team?

Having a very keen analytical mind is critical for an accountant. What is the organization doing? What's the higher purpose of what we're doing? When you can sit in a room and understand how the numbers all flow together, you should be able to be a really good business adviser to the organization because you're bringing a very wholesome understanding of accounting, finance, reporting, and analysis. Lots of times, where I struggle with folks on my team is they don't possess deep analytical skills, but they possess very good accounting and process skills.

How has focusing on accounting's higher purpose helped advance your career?

Having a strong desire for knowing how things are made, why they're made, what purpose they serve—and having a deep analytical skill set—allowed me to be a business adviser most of my career. Once you're viewed as a strategic adviser and a person who gets things done, the organization will come to you for those activities and assignments. But that reputation takes time to build.

A smarter way of working.

Insurance intermediary Brown & Brown uses Workday to give accounting and finance teams the tools they need to succeed.

As one of the world's largest insurance intermediaries, Brown & Brown is focused on growth. To expand its reach, the company needs people who aren't afraid to reach for the brass ring.

"You look for grit and determination," says Michael Conway, chief accounting officer and corporate controller at Brown & Brown. "You look for someone with that curious spirit who's always asking, 'What's next? How could this be better? Why is it the way it is today?'"

But people with a growth mindset are difficult to attract and retain, because they're always looking for ways to improve. Brown & Brown is winning this battle for talent by giving them projects that let them add value—and giving them the tools they need to be successful.

"Having a solution such as Workday enables us to attract the best talent, give them the tools to know that they're really adding value to the organization," Conway says.

"They have to trust that when you paint that picture that they can believe it," Conway continues. "You believe it in your soul. You're authentic. And they can trust that you're credible and reliable and capable of delivering that vision."

A system with staying power.

Before Workday, Brown & Brown didn't have an enterprise resource planning (ERP) platform. The organization worked from spreadsheets and dispersed systems. But given the company's rapid growth trajectory, finance and IT leaders knew they needed an ERP that could evolve with the business.

Leaders chose the Workday cloud-based technology platform because it promised to address Brown & Brown's immediate pain points as well as its future needs. While the deployment was a large project, leaders knew Workday wasn't a system they would need to replace anytime soon.

"Investment is not just dollars. There's a return on effort and the human capital investment," says Conway. "We ask ourselves, 'Is the cost that we're going to put our people through at this time going to give us the best return for them and for us and for other stakeholders?'"

To make the most of its Workday investment, Brown & Brown partnered with KPMG. The consultancy helped Brown & Brown's leadership do things in the right order—without getting ahead of themselves or missing key steps along the way. And by clearly communicating what was happening to both the finance team and the broader organization, they were able build buy-in for new business processes.

That partnership didn't end with deployment, either. "KPMG has really helped us drive incremental value and see opportunities that we had missed on the first pass of implementation," says Conway.

Brown & Brown started using Workday Adaptive Planning OfficeConnect to support its external SEC reporting process. The tool, which quickly and fully connects the team's Excel reports to its Workday data, eliminates the need to manually rekey, copy, paste, or reformat after each update. "It's saved us numerous hours and gives us a lot more transparency into the process," Conway says.

Tapping the true value of Brown & Brown's finance talent.

Since deploying Workday, Brown & Brown is working toward making many tasks easier, especially in the area of compliance reporting. Now that the company has a common technology platform, the accounting team can audit processes enterprise-wide. When they don't have to audit each location and department individually, they can cover more transactions with a lot less effort. It gives teams more transparency into financial data—and makes it easier to meet critical reporting deadlines.

"Workday has helped us dramatically close the gap on our financial close process," says Conway. "As a publicly traded company, we used to get very close to the SEC reporting deadline. And now, we effectively file our SEC document the day after we release earnings on our quarter close."

This means the finance team can spend more time on tasks that add value to the company. And looking to the future, Brown & Brown intends to keep investing in technology, such as expanding its use of intelligent automation. The company plans to replace some in-house systems with Workday to better manage vendor relationships and drive down spend in certain areas.

Brown & Brown is also working on an advanced compensation job architecture to help the company recruit and retain top-tier talent. By clearly communicating job responsibilities, compensation ranges, career paths, and bonus structures, leaders will be able to attract growth-focused individuals. Using performance metrics to inform raises, promotions, and bonuses can also help ensure that good work doesn't go unrewarded.

"People are what drives the value that Brown & Brown delivers for our customers," says Conway. "And so we need to get a lot better at analyzing that data and driving correlations between the activity our teammates participate in and the results that we get from it."

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