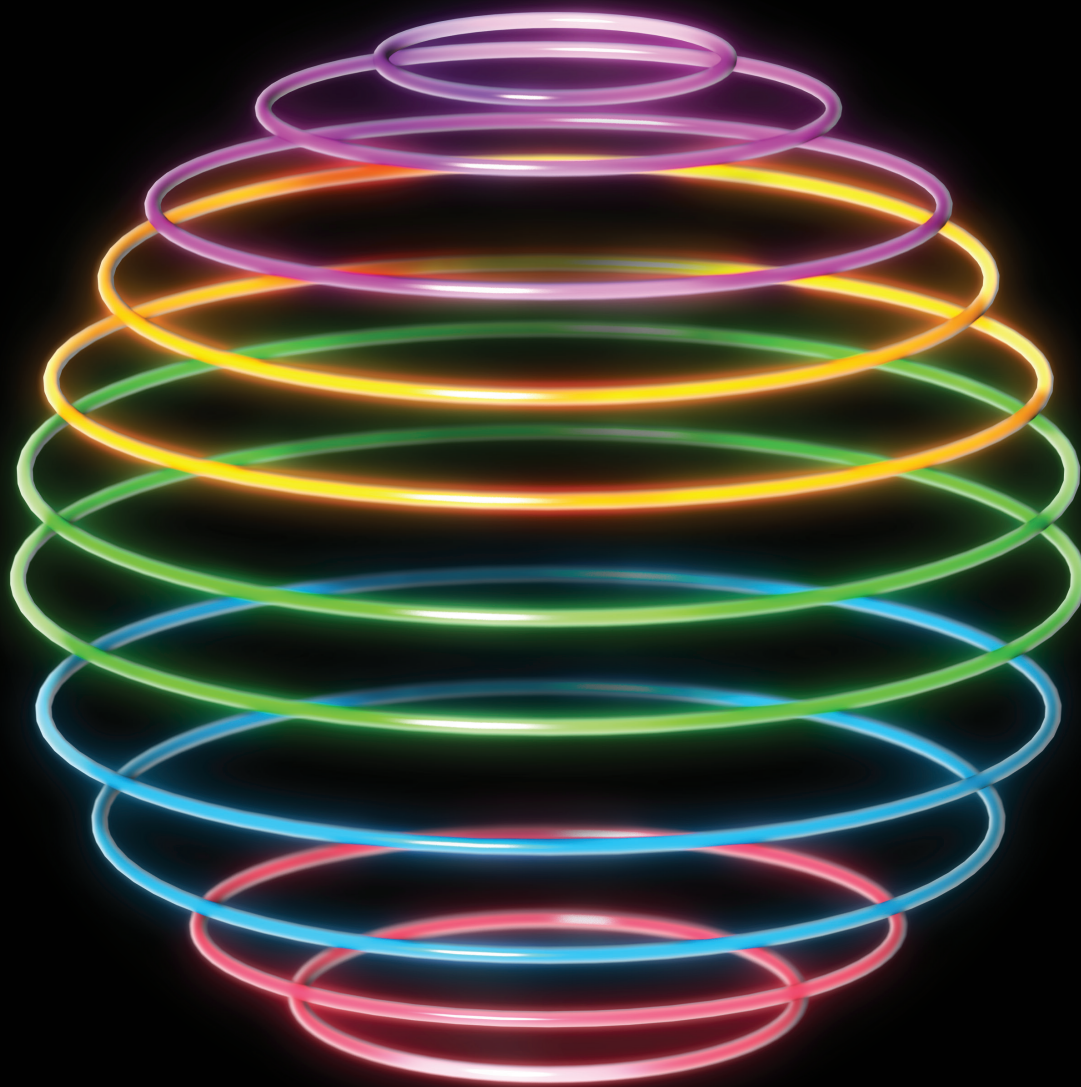


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Aspire to thrive

How leading finance teams are positioning for the future

Having responded to the pandemic and now working on recovery, leading finance teams are aspiring to greater goals: investing in their future and building a foundation to enable their businesses to truly thrive.

The journey to a thriving future



As the heartbeat of Canada’s economy, medium-sized organizations are central to the health of the country’s post-pandemic future. Their finance functions play a critical role as catalysts, working with the rest of the business to drive organizational resilience. And while simply making it through the pandemic has been the focus for many businesses, finance teams in leading organizations are looking beyond that, transforming their capabilities and aspiring to a higher purpose: becoming an integral business partner that enables their organizations to thrive. Will yours be one of them?

In this first of a two-part instalment on the future of finance in medium-sized Canadian organizations, we explore some of the steps that leading finance teams are taking now as they aspire to thrive in a post-pandemic world.

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Aspire to thrive is the first of two articles in our Aspire series.



Finance's integral role in the future

Government incentives, economic stimulus plans, and focused investments in medium-sized organizations can help to fuel our recovery. But success will require businesses to apply sound and strategic financial leadership, meaning its finance team must not only be tasked as operators and stewards of the core finance and accounting function, but also as strategists and catalysts for the business. In many respects, an organization's finance function and its leadership are the "central command station."

Most medium-sized organizations don't have the luxury of a 50-person finance team. Just managing the day-to-day tasks can seem like a tremendous undertaking, and when a disruptive event comes along—a merger or acquisition, an initial public offering or exit event, new regulatory and compliance requirements—many teams find themselves overburdened. Disruption also comes from within; sometimes the most fundamental yet intangible (and often overlooked) disruptor is rapid growth itself.

Add to that a global pandemic that has changed everything. Everyone has had to respond. Whether you're a mid-sized retailer, a rapidly scaling tech startup on

the verge of being acquired, or a business struggling with the supply chain pressure resulting from increased demand, COVID-19 has mercilessly exposed your finance operating model's DNA...strengths but, more often, weaknesses and breaking points. Finance teams have been forced to rethink how they work, where they work, how they access information, and how they communicate with each other and with their stakeholders.

It's not surprising how easy it can be to get mired in all these challenges and lose sight of the bigger picture. And yet it's the bigger picture that organizations must focus on. The question we urge finance leaders to ask themselves now is not just "how will we survive?" but "what's next?"

Getting into position to thrive

You've responded to the crisis and continue to manage through the uncertainty as you move into recovery mode. Perhaps you've applied the lessons learned from early missteps, and have begun converting initial workarounds into sustainable processes so that you can maintain service levels and manage critical resources as the crisis evolves. But now what?

Every business aspires to thrive post-pandemic, but it's easier said than done. Especially when layered with the many challenges organizations are already facing—evolving stakeholder expectations, ongoing liquidity pressures, talent retention issues, the need to sustain a virtual culture, emerging digitalization and automation possibilities—it's difficult to apply the focus and intentional action required.

Yet the cost of inaction is far greater. It's the businesses that invest today that will become tomorrow's superstars.

Getting into position to thrive in the future is difficult. But there are guideposts. In this article, we offer some guidance based on what we're seeing at leading organizations. Let's look at four key considerations in building a solid foundation for the future of finance:

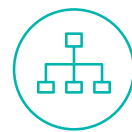
- Automation and supporting controls
- Disruptive events
- Organizational structures and skill sets
- Stakeholder communications and investor relations



Automation and supporting controls



Disruptive events



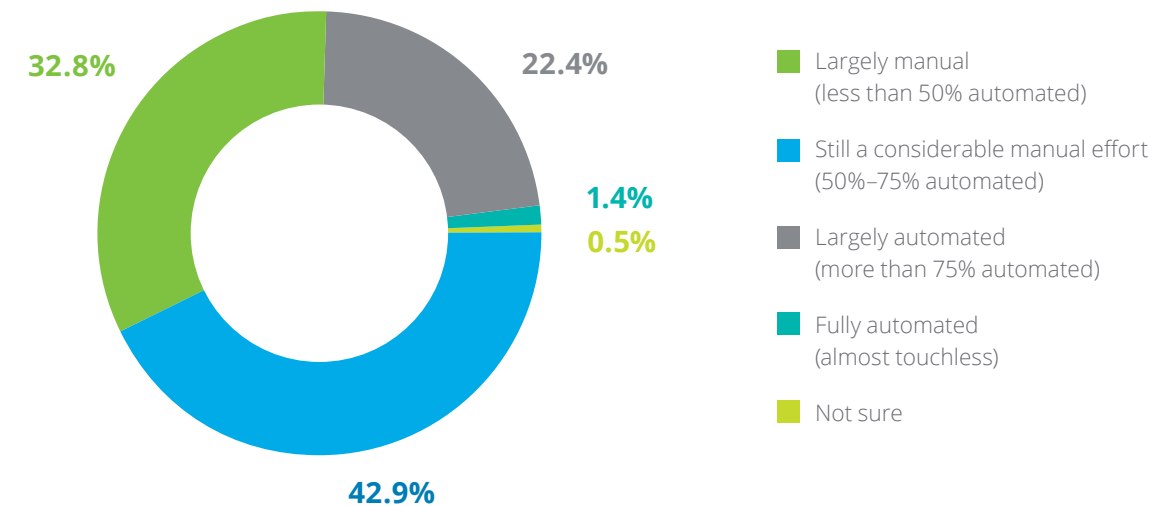
Organizational structures and skill sets



Stakeholder communications and investor relations

It's the businesses that invest today that will become tomorrow's superstars.

Figure 1: In the Deloitte survey *From mirage to reality: Bringing finance into focus in a digital world*, 75.7% of respondents said their company's accounting processes are either largely manual or still a considerable manual effort.



Automation and supporting controls

Even under normal circumstances, fulfilling the core finance mandate can be all-consuming. Executing the close and the myriad of feeder processes, addressing regulatory and compliance requirements, preparing external and management reporting, answering auditors' questions—these tend to take a lot of time and effort. Many teams spend almost all their time just collecting information and arranging it in consumable ways.

When COVID-19 hit and most organizations shifted to remote work, it shone a harsh spotlight on siloed functions, pervasive use of Excel, and manual tasks within processes that added no value. Issues created by inefficient workarounds, semi-adequate procedures, or poor communication have stood out clearly now that people are no longer working face-to-face.¹ (See Figure 1.)

Leading organizations are making investments in digital cloud-based tools and applications that automate critical activities like account reconciliations, closing and consolidation, financial statement preparation, cash modelling, and management reporting.²

Figure 2: The survey indicated that 64.4% of companies surveyed have either already implemented or are in the process of implementing cloud-based accounting solutions.

	Cloud-based accounting solutions	Budgeting, forecasting, and reporting tools	Data analytics and visualization	Robotic process automation	Machine learning and AI	Blockchain technology
Implemented technology investment	28.2%	26.7%	10.1%	3.6%	1.8%	1.4%
Planning to implement or currently implementing	36.2%	42.1%	39.7%	22.8%	21.4%	9.6%

It's critical to not let those workarounds become ingrained. We urge finance leaders to take this opportunity to rethink the infrastructure that supports how their teams work. Now is the time to assess processes, controls, and enabling technologies. Leading organizations are making investments in digital cloud-based tools and applications that automate critical activities like account reconciliations, closing and consolidation, financial statement preparation, cash modelling, and management reporting.² (See Figure 2.)

To emerge stronger, organizations must begin planning now for a new way of working. It's a lot of change, and with all this change comes new risk and the need for a reimagined control environment. Changes in the workforce, processes, technology, remote working, and in the business will require a measured and thoughtful response to affected control activities.³

With the right technology in place, combined with the right processes, underpinned by the right risk and control framework, it is possible to have information ready and available at the click of a button, to enable efficient work, and to free up your team to focus on the activities that drive real value.

What are leading finance teams doing now?

1. Conducting a fit-gap analysis: diagnosing and mapping manual decentralized processes, and identifying inefficiencies and available cloud-based technology solutions to address gaps.
2. Crafting a digital strategy that enables finance's role as a business partner, and that specifically addresses identified gaps to ensure successful implementation of value-added solutions.
3. Developing a financial risk and controls assessment, management, and monitoring framework, and refreshing it as conditions change.

Disruptive events

Every organization we talk to is facing change; disruption is simply the norm in business today. Whether it's a positive or negative change, one initiated by a company or one that has been imposed, any kind of disruption puts a huge strain on finance teams as they struggle to keep up with the pace of business.

Take a material acquisition, for example: most teams don't have the resources to handle such a major transaction and implement the required changes to their financial structures. It's easy to underestimate what it takes to prepare—identifying targets, conducting due diligence, and integrating data from disparate systems, among other tasks. Many finance functions aren't equipped to handle these extra tasks, not to mention all the work that arises once the deal closes. If ill-prepared for all the facets of a transaction, temporary workarounds can slowly become permanent processes, and some of the touted benefits of the acquisition simply fail to materialize.

The organizations that are poised to thrive in the future are always thinking about potential developments and their impact on financial performance. They look ahead to anticipate changes to the regulatory or economic environment, to the stakeholder landscape, to risk appetites, or to

operational realities that will influence their liquidity, financial performance, and reporting. They confront uncertainty by incorporating scenarios into decision-making across various time horizons. They home in on industry and business-specific disruption. They envision multiple different futures and monitor progress and financial outcomes.⁴ For the proactive and prepared, even negative disruptive events can represent opportunities to get ahead of the competition.

The events of recent months have shown us that organizations that respond effectively and recover quickly will tend to survive. But it's those that apply foresight and aspire to do more—who invest in advance to get themselves into position to play offence—that are set up to thrive when disruption comes along... as it inevitably does.

The organizations that are poised to thrive in the future are always thinking about potential developments and their impact on financial performance.

What are leading finance teams doing now?

1. Scenario-planning the probability of various external disruptive events and the range of potential financial outcomes.
2. Analyzing whitespace and developing a programmatic finance plan to support strategic organic and inorganic growth opportunities (e.g., required changes to current processes, technologies, and team capabilities).
3. Developing a holistic transaction readiness plan to guide finance through anticipated disruptive events, highlighting preparation, execution, and post-transaction activities.

Organizational structures and skill sets

Our current circumstances have challenged organizations everywhere to reconsider everything they thought to be true about their talent models. The finance function is no exception. Many questions weigh heavily on the minds of finance leaders as they prepare for an uncertain future. What skill sets will be important in two, five or 10 years? How should finance be organized? What training is required to appropriately upskill our finance teams? See Figure 3.) What is the right finance service delivery model for our organization? (See Figure 4.) Do we have the right people doing the right things? How do I measure what “good” looks like? And, what impact will remote work have on all these aspects?

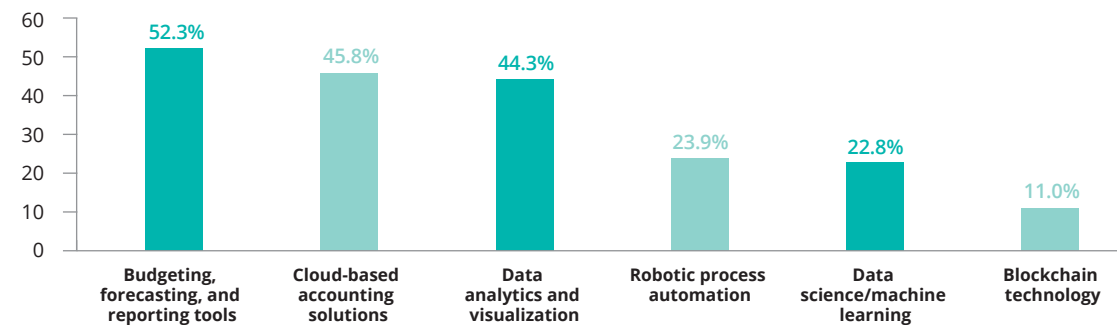
Leading organizations are taking a hard look at the future of their work and at how they see themselves doing business. Products, channels, and service models are all in flux, and top organizations are getting ready for the next normal.

If finance is to be a valued partner in the business, then it needs to be focused on how it can best serve the business as its operating model changes. More often than not, teams haven’t critically assessed their structure, and as the organization’s needs have changed, many finance functions continue to serve in the same way, albeit perhaps more virtually. But virtually doesn’t mean more “thoughtfully.”

It’s time to get strategic by mapping out a new delivery model that strikes the right balance between automation and human involvement—one that contemplates outsourced delivery and shared service structures. It is this critical thinking that will inform where investments need to be made today.

It’s never been more important to consider the talent in your team and how you organize and deploy that talent to thrive as a finance function, to invest in your team, and to think about what your future business partners will demand.

Figure 3: In which skill sets does finance need the most training in the next two years?

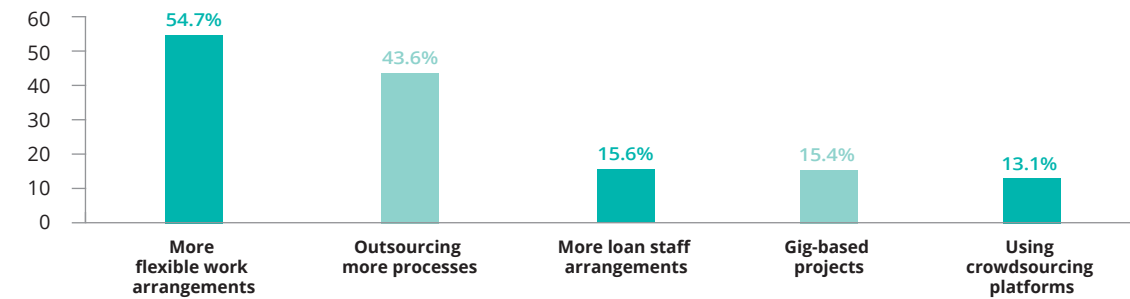


Source: Deloitte and IMA, *From mirage to reality: Bringing finance into focus in a digital world*, 2020.

What are leading finance teams doing now?

1. Developing a vision for how finance will be structured, deliver its services, execute its core mandate, and interact with the business and its stakeholders.
2. Performing a gap analysis of its talent operating model (e.g., skill sets, roles, responsibilities) relative to its vision and anticipated future demands.
3. Developing key performance indicators to measure the effectiveness of its finance team and drive accountability.

Figure 4: What alternative talent models has your company considered for its workforce of the future?



Source: Deloitte and IMA, *From mirage to reality: Bringing finance into focus in a digital world*, 2020.

Stakeholder communications and investor relations

Transparent and thoughtful disclosures and outlooks that promote trust and confidence while strengthening the organization’s reputation in the eyes of all stakeholders is at the core of a strong stakeholder communications and investor relations approach. However, new external factors, coupled with the complexities that come with business operations like mergers, acquisitions, and shifts in strategy, are requiring organizations to re-evaluate traditional approaches to stakeholder communications and investor relations practices.

As an example, COVID-19 has created a difficult communications challenge; framing the impact of a pandemic into appropriate business context is understandably complex. Additionally, organizations that have embraced a purpose-led business approach are finding it tough to convey the value beyond financial metrics to all stakeholders in a clear, streamlined, and meaningful way.

As a result, many medium-sized public clients tell us they don’t feel the market fully grasps their narrative. Regular readers of their financial statements seem to get stuck on the “old story,” and it’s hard for organizations to communicate that their profile is changing, which in turn impedes their ability to target a new investor base or tap into alternate capital sources.

Equally critical is ensuring a solid communications approach for private organizations. Communicating effectively to owners, including private equity and

other shareholders, or creditors is key to building the confidence they need in an organization to support its capital and liquidity requirements.

So, where do you go from here? Begin by considering how you can bridge the gap between compliance-based traditional reporting and stakeholder needs to tell your organization’s story and its performance in a way that is relevant, simple, and easy to digest. It will be critical to establish a top-notch communications and implementation plan that has the trust of your stakeholders and the ear of the market, enabling your business to thrive... and tell its story along the way.

What are leading finance teams doing now?

- Performing a gap analysis on current stakeholder communications and reporting to identify growth areas and strategic opportunities.
- Reassessing and analyzing stakeholder needs to understand whether your organization’s investor relations and communications approaches meet expectations.
- Defining leading indicators that inform the future performance of the business, and ensuring it’s being communicated in a clear manner.

Turning challenge into opportunity

As we continue to navigate this crisis, ask yourself how your team will respond. Will you hang on tightly and do your best to stay afloat? Or will you aspire to something greater? Will you spend the time today to invest in a future in which your finance team emerges as a leader, a trusted business partner with a seat at the organization's "strategy table"? Will you be a digital leader, embracing cloud-based technologies to serve your business in the most efficient way? Will you capitalize on disruption, and effectively communicate your resilience to the market?

We've seen dramatic transformations from organizations that didn't think they were capable of it.

It takes foresight. It takes investment. The journey will be fraught with hazards and U-turns. But if you aspire to be a business that thrives in any future, it's time to get to work. With vision, commitment, and action, you can execute a roadmap in which you transform your finance function and prepare your organization to truly thrive.

Stay tuned for our second instalment, in which we will profile key success stories from leading organizations.



Contact

Brandon Weekes

Partner
National Leader, Accounting Operations Advisory
bweekes@deloitte.ca
416-775-7203

Acknowledgements

Janet Craig

Senior Advisor
Investor Relations & Stakeholder
Communications

Mike Goodfellow

Partner
Accounting Operations Advisory

Andrew Macmartin

Partner
Automation & Digital Advisory

Robert Nardi

Partner
Disruptive Events Advisory

Jason Novakovski

Partner
Accounting & Reporting Advisory

Endnotes

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