Where Will Finance Focus in 2022?

WHERE WILL FINANCE FOCUS IN 2022?

APQC conducted its annual [Financial Management Priorities and Challenges]() survey in late 2021 to better understand the focus areas, initiatives, and challenges that will shape the finance function in 2022. The survey, which included 305 participants representing 14 different industries, asked respondents questions across six broad topics:

1. finance process improvement,
2. finance data management,
3. cash flow management,
4. risk management,
5. finance talent management, and
6. the transition to remote/hybrid workplaces.

When asked about these six areas, respondents identified finance process improvement, finance data management, and cashflow management as the top three priorities for their finance function in 2022 (Figure 1).

Which of the following areas is your organization's finance function focusing on in 2022?

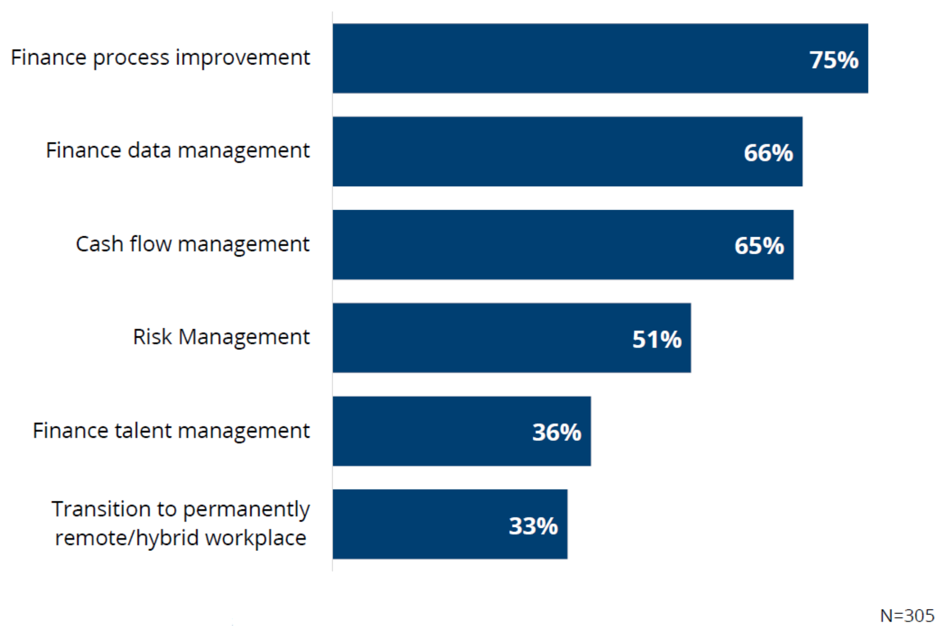

Figure 1

This article summarizes APQC's findings across all six of these areas and includes insights from Todd Unikel (Principal Research Lead, Finance Management) and Perry Wiggins (CFO, APQC).

Finance Process Improvement

As organizations look for opportunities to improve finance processes in 2022, many are prioritizing core fundamentals like process automation, enterprise resource planning (ERP) systems, end-to-end-process documentation, and productivity measurement. About 90 percent of respondents are at least considering these areas and 65 percent are piloting, rolling out, or have already implemented improvements to them (Figure 2). Unikel said that it makes sense that many organizations are focusing on these areas: “It’s not uncommon to see organizations continuing to prioritize these fundamental areas ahead of priorities like AI and robotic process automation. Streamlining business processes typically comes first and before automation from a best practices perspective.”

Finance Process Improvement Priorities for 2022

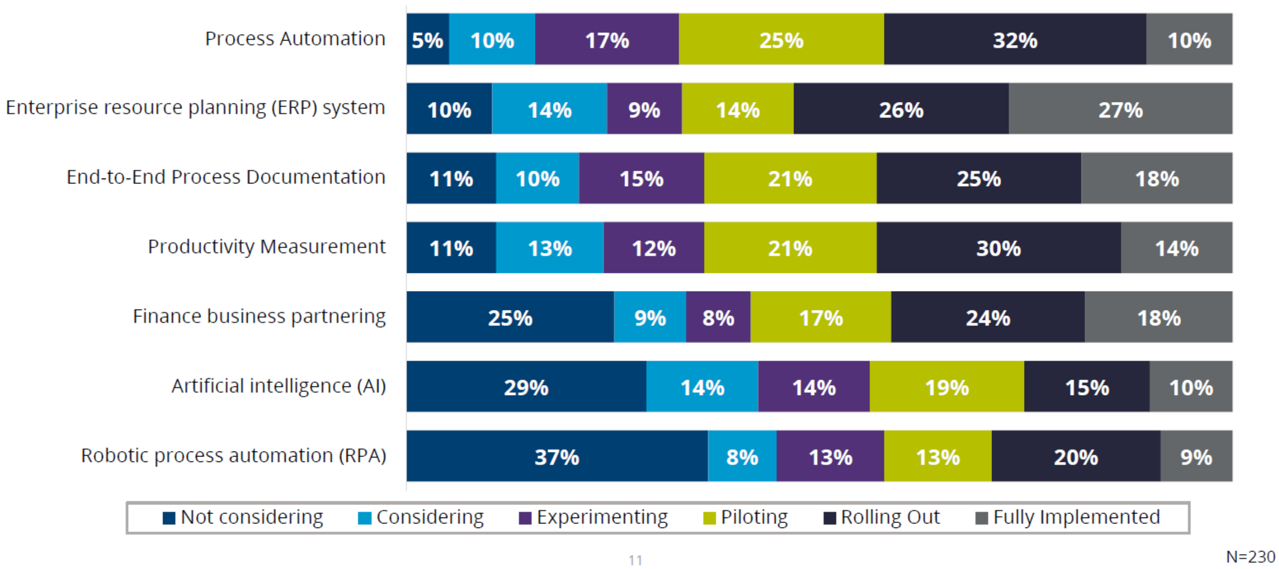

Figure 2

PROCESS AUTOMATION AND ROBOTIC PROCESS AUTOMATION

Process automation is a top focus area for finance process improvement, with 95 percent of respondents reporting that their organization is at least considering it for 2022. *Robotic* process automation (RPA), by contrast, sits at the bottom of the list of focus areas in Figure 1, with more than a third of respondents reporting that their organization is not considering this area at all. These two technologies sound similar on the surface, but Unikel said there are substantive differences between them.

Traditional process automation software can make a machine perform any step across a number of processes. This software focuses more holistically on workflows and complex, multistep processes, rather than focusing on a single department or set of individual tasks. RPA software, by contrast, is a form of automation that works at the front-end of a system by mimicking the ways that humans interact with software to perform repetitive tasks. It makes sense that many organizations are focusing on optimizing their finance processes before implementing RPA or other advanced tools like AI.

Finance Data Management

A large majority of respondents (75 percent) report that their organizations are leveraging finance analytics to manage financial data. The disruptions of 2020 and 2021, including market instability and the shift to remote work, made it more important than ever for organizations to have their finger on the pulse of the business and detect fraudulent activity that may have occurred as numerous processes became digitized. These priorities are reflected in the survey results, where respondents report that they leverage finance analytics primarily in order to:

» provide an accurate view of key performance indicators (92 percent of respondents);
» create accurate financial forecasts (67 percent); and
» detect possible fraud (52 percent).

FINANCE DATA VISUALIZATION

While finance data provides the outline for a good data story, data visualization is what makes that story intelligible and compelling for stakeholders. Enabling access to real-time finance data, creating visualizations of financial forecasts and reports, and improving storytelling capabilities are the top three reasons why respondents say they are leveraging data visualization (Figure 3).

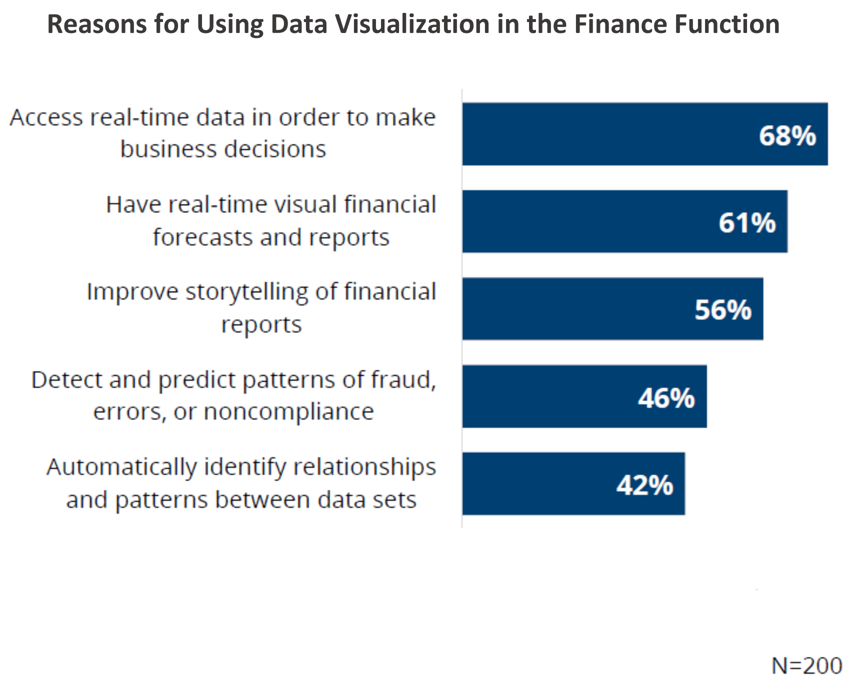

Figure 3

Many organizations have an opportunity to leverage advanced data visualization practices that provide more dynamic storytelling and reduce the amount of manual activity involved with reporting. For example, nearly a third of respondents (30 percent) report that their organization mostly uses Excel to create static charts and graphs that must be manually updated. Fewer than one in five respondents (18 percent) report leveraging more advanced data visualization tools to create interactive graphics or working with graphic artists to enhance the aesthetic appeal of data visualizations (19 percent).

CFO Insights from Perry Wiggins (CFO, APQC): Know Your Audience

My recommendation to other CFOs and finance leaders is to always know your audience when it comes to finance data visualization. From my experience, team members in operations like to see more data visualizations. If I do a presentation that is interactive or rich in graphics, my operations people really seem to like that. But if I try to do the same thing with my CEO or board of directors, I might be wasting my time. They mostly just want to know the results and want to find out what went right or wrong. When you are thinking about how you want to tell your data story, make sure that you are aware of what your audience wants and how they might respond to the way you present your data.

Cash Flow Management

When it comes to cash flow management, organizations are not only working to make budgets and forecasts more resilient in the face of disruption, but also "brainstorming ideas to bring in new revenue streams, to add new products or services, to create new marketing strategies, and to bring in more customers and encourage those customers to buy more," Unikel said. These strategies, along with improvements to accounts receivable like expanded customer payment options, help to ensure that organizations are bringing in the cash they need to cover operating expenses.

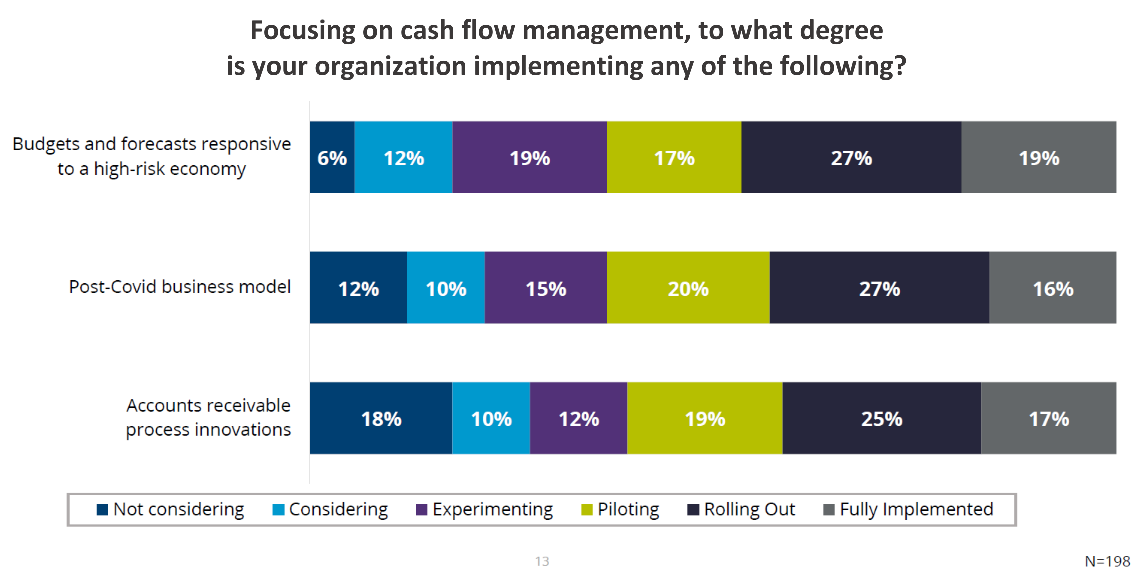

Figure 4

CFO Insights: Cash is King

One of the big lessons we've learned here at APQC and that we've seen our members learn over the past couple years is that cash is king. Many organizations forgot the importance of having good cash reserves and how critical it is to have good end-to-end processes and cash collection practices to support those reserves.

We have now learned the hard way that external factors can have a significant impact on our business. No one knew the COVID-19 pandemic was coming, and we don't know if there will be a second pandemic down the road or another global disruption that will affect our economies, countries, or central banks. It is incumbent upon us as finance leaders to make sure we're pushing our leadership, our board, CEOs, and operations managers to think about how the decisions we make will affect us from a cash reserve standpoint for the short-term, intermediate term, and long term.

Risk Management

More than half of respondents (51 percent) reported that risk management is a priority for 2022. The reasons why make sense, especially after the disruptions of 2020-2021 and the growing, ever-present threat of cyberattacks. In response to these and other significant enterprise risks, 80 percent of survey respondents reported that they are piloting, rolling out, or have fully implemented a risk management program in their organization. Respondents reported market risk, cyber risk, and operational risk as the three most important areas of focus for risk management (Figure 5).

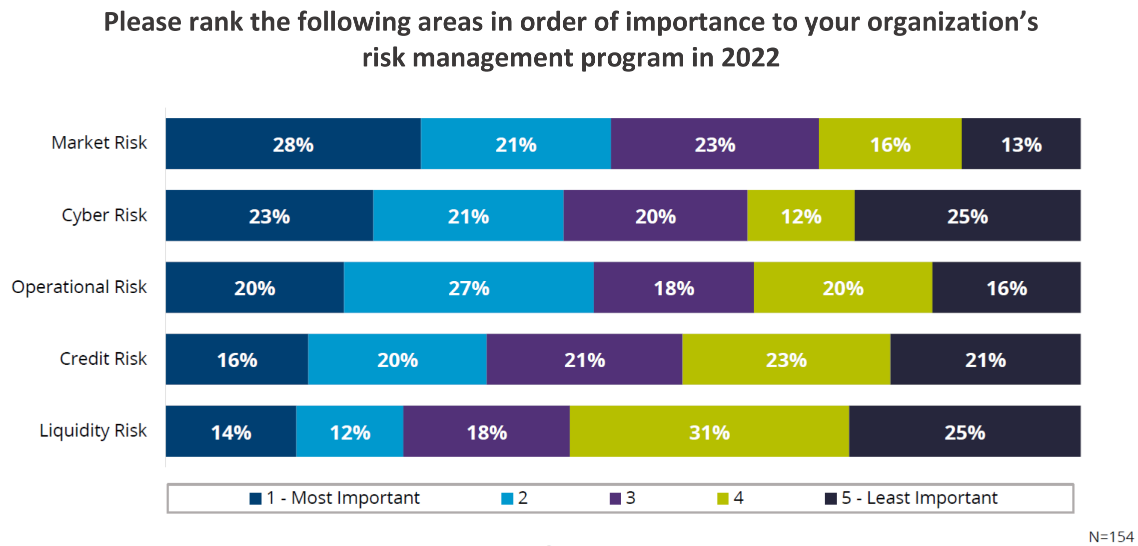

Figure 5

Market risk includes changes to equity and commodity prices, interest rates, foreign exchange fluctuations, and more. An increasing focus on this risk area shows that many organizations are taking steps to better protect themselves from market turbulence in 2022.

Cyber risk is also an area of high concern after numerous high-profile incidents that only represent the tip of the iceberg when it comes to cybercrime. Researchers at Cybersecurity Ventures expect the costs of global cybercrime to reach $10.5 trillion dollars by 2025, representing the greatest transfer of economic wealth in history. Given the severity of cyber risk and the damage it can cause, organizations can and should take steps to assess cyber risk and evaluate their readiness to respond to an incident.

Finance Talent Management

Finance talent management priorities for 2022 largely reflect the realities of a tight labor market amid ongoing disruptions from the COVID-19 pandemic and trends like the Great Resignation. More than three-fourths of respondents (76 percent) say they are currently focusing on developing or upskilling their current finance talent, 73 percent say they are working to retain finance talent, and 64 percent are focused on acquiring new finance talent.

Regardless of whether they are upskilling existing finance talent or searching for new talent, many organizations are looking to build up finance teams with skills in business process management, technology and automation, and advanced analytics (Figure 6). The need for these skills is consistent with the importance of finance process management and finance data management as the two top priorities for finance in 2022.

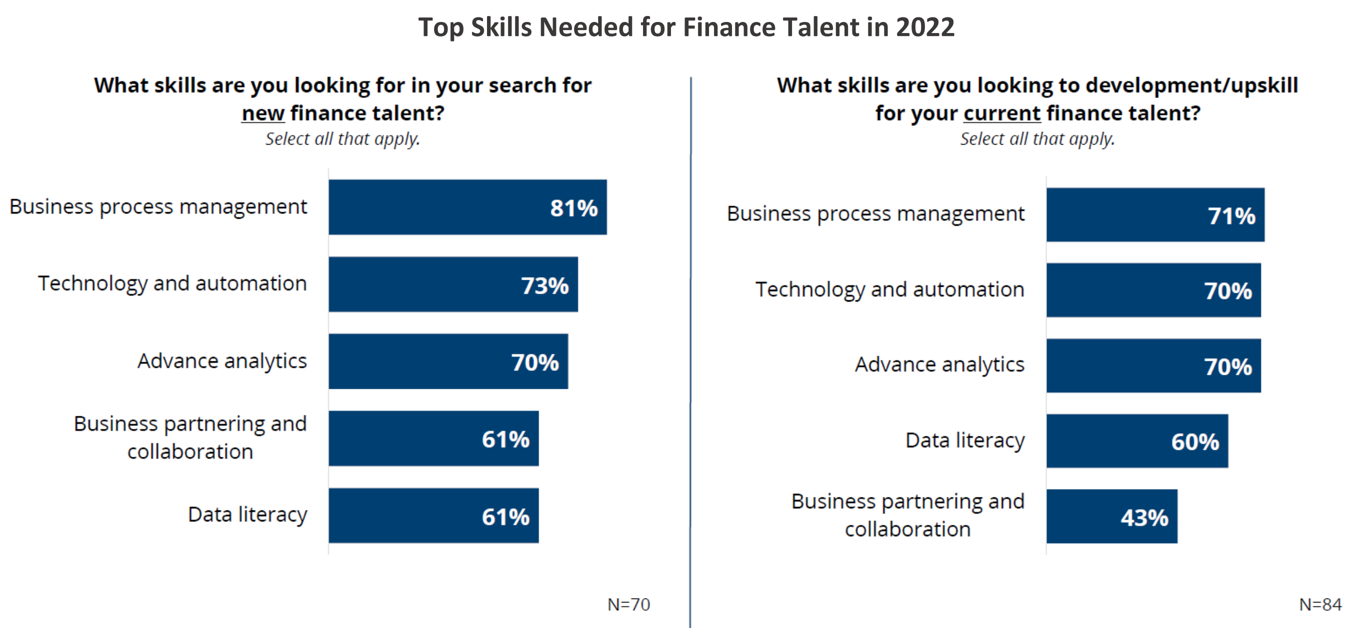

Figure 6

Figure 6 also shows that more organizations are looking to *buy* business partnering skills (61 percent of respondents) rather than building them in-house through development and upskilling (43 percent). Organizations may need to redouble their internal efforts to identify and develop high potential finance talent to ensure they can close this skill gap in a competitive labor market.

CFO Insights: Business Process Management is Critical in a Tight Labor Market

The tight labor market in the United States is one of my top concerns as a CFO. I would be very concerned if one of my employees in our finance, accounting, or IT teams were to resign right now, and open positions throughout the organization are taking longer to fill. If your organization hasn't already committed to finance process improvement, now is a good time to do so in the event that you become short staffed due to COVID or people resigning.

Finance process improvement should include documentation for all of your finance processes and automating processes to the extent possible. If you become short-staffed in finance, do you have your processes documented so that the people who are still within the organization can maintain and keep finance operations running smoothly? Do you have opportunities to automate processes that don't require much human intervention? Over the last couple of years, APQC has taken steps to strengthen our process documentation for finance and move to a cloud-based ERP system rather than an in-house system, both of which have been significant improvements for us. As you look to build or strengthen your finance teams, be mindful of that process improvement journey as well.

The Transition to Remote/Hybrid Workplaces

The explosion of remote work that began in 2020 is among the most consequential impacts of the COVID-19 pandemic, and remote work is here to stay in many organizations. More than half of survey respondents (58 percent) plan to make a permanent transition to a fully remote or hybrid (i.e., in-person and remote) workplace in 2022. By contrast, only eight percent of organizations that temporarily moved to remote work are not considering a permanent transition. Figure 7 shows the top drivers of finance's transition to a permanent remote/hybrid workplace model, the biggest of which is cost savings.

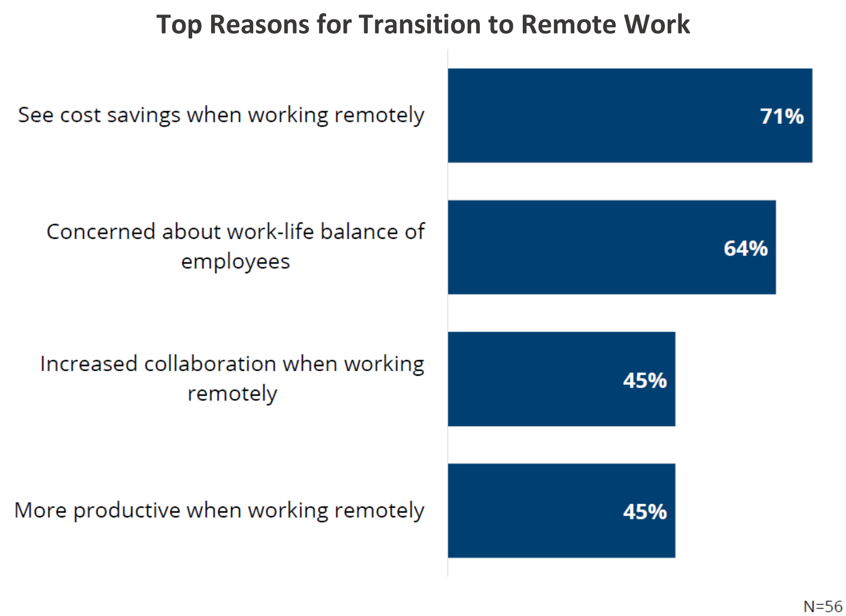

Figure 7

CFO Insights: Consider Cost *and* Culture in Remote Work Decisions

Each organization will need to do its own cost-benefit analysis to determine whether the cost savings from remote work outweigh the challenges that come with this model. APQC is primarily a research and knowledge management organization, which means that collaboration is critical to the work that we do. We did experience a loss of engagement and collaboration when we were away from each other, and we know that it's important to be together in person sometimes. But if you're a multi-million or multi-billion dollar organization that has a large commercial real estate footprint, it may be worth it for you to consolidate space because commercial leases cost a significant amount of money.

Conclusion

Organizations and their finance functions learned many important lessons from the disruptions of 2020 and 2021. In 2022, many organizations plan to implement process improvements like automation, tools like finance data analytics, stronger cash flow management practices, and enhanced risk management capabilities to better respond to significant enterprise risks. The past two years have also left an indelible mark on the workplace itself, with many organizations making the move to fully remote or hybrid workplaces. Business process management is the thread that ties all of these endeavors together. Organizations will be well-served by focusing on process fundamentals like automation and comprehensive process documentation, which are critical success factors for building a more resilient finance function.

KEY TAKEAWAYS

- In response to the disruptions of 2020 and 2021, many organizations are focusing finance process improvement efforts on fundamental areas like process automation, ERP systems, end-to-end-process documentation, and productivity measurement.
- A large majority of organizations (75 percent) are leveraging finance analytics to keep their finger on the pulse of the business, develop more accurate forecasting, and detect fraud more easily.
- As they look toward post-COVID business models, many finance teams plan to focus on building cash flow management practices that are more responsive to a high-risk economy.
- Market risk, cyber risk, and operational risk are the three top categories of risk that respondents plan to focus on in 2022.
- Many organizations are working to retain their finance talent and acquire new talent in a tight labor market. Optimizing finance processes through practices like process automation helps to ensure that finance can keep running smoothly if finance teams become understaffed.
- Remote work and hybrid workplaces will become a permanent reality for many organizations in 2022. Cost savings from remote work is the biggest driver of this trend.

ABOUT APQC

APQC helps organizations work smarter, faster, and with greater confidence. It is the world's foremost authority in benchmarking, best practices, process and performance improvement, and knowledge management. APQC's unique structure as a member-based nonprofit makes it a differentiator in the marketplace. APQC partners with more than 500 member organizations worldwide in all industries. With more than 40 years of experience, APQC remains the world's leader in transforming organizations. Visit us at https://www.apqc.org/, and learn how you can make best practices your practices.