



Finance of the Future Survey

Minds made for building
financial services

September 2019

EY CFO Advisory Services

EY Financial Services is delighted to introduce our Finance of the Future survey, specific to the financial services industry in Ireland.

The 'new normal' has changed. Finance functions must balance meeting regulatory requirements, steering the business and reducing costs whilst ensuring they can meet future stakeholder demands.

Including topics such as strategic priorities, future operating models, innovation, data management and the future workforce, this survey asks: **what is shaping future finance, and how can technology help?** It provides insight into the issues which are most important to the finance functions of Ireland's largest banks, insurance companies, asset managers, aircraft lessors and other financial services institutions.

We would like to thank the CFOs and Heads of Finance who took the time to participate in the survey.

CFO Advisory Contacts

CFOs face challenges from all directions, and have more responsibilities than ever before. Not just within finance and accounting, but across the entire organisation.

On top of that, there's also the all-pervading issue of regulatory compliance.

At EY, we are inspired to ask better questions to help you harness this unprecedented and diverse responsibility, and turn it into an opportunity to drive your organisation forward.

Building on our foundation of finance and accounting skills, we bring strategy, technology, shared services and data analytics into the equation. We work with you to co-create more innovative answers, helping you enhance the value you are delivering as CFO - for both your organisation and your professional career.

And this is only possible through our collaborative culture and global connectivity, combining our diverse team of consultants, alliance partners such as SAP and external professionals. All to help you design better outcomes and deliver long-lasting results.



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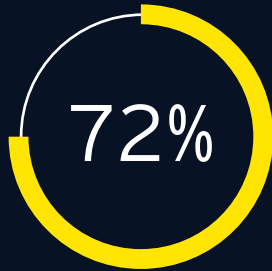
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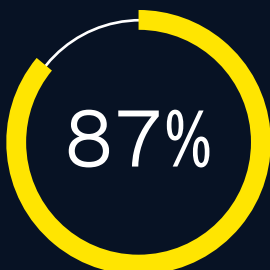
Key Highlights - Finance Leaders



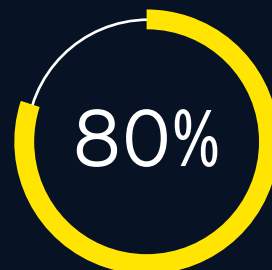
believe big data & advanced analytics and sophisticated planning & forecasting are the two finance capabilities that will be critical to meeting the demands of their organisations



said they cannot focus on strategic priorities as much as they would like



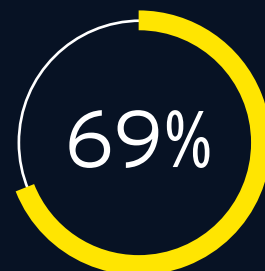
noted that they do not have a high level of automation in their data quality, analysis, reporting and reconciliation functions



believe they will increasingly need to recruit finance executives with tech/data science related skills

#1

believe legacy technology and systems complexity to be the primary barrier to transforming their finance function



see the role of the finance function fundamentally changing in the next 10 years as traditional finance tasks are automated or managed under new operating models

Participant Profile

The survey was carried out in summer 2019 amongst Ireland's top Chief Finance Officers (CFOs) and Heads of Finance, covering a range of subsectors in the financial services industry.

39

institutions participated in the survey

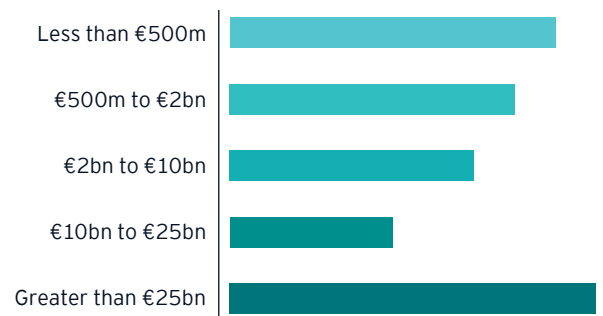
3/4

of participants are regulated

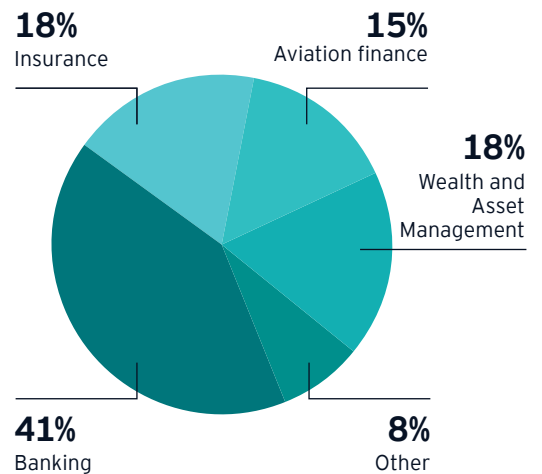
27%

of participants' balance sheet size is over €25bn

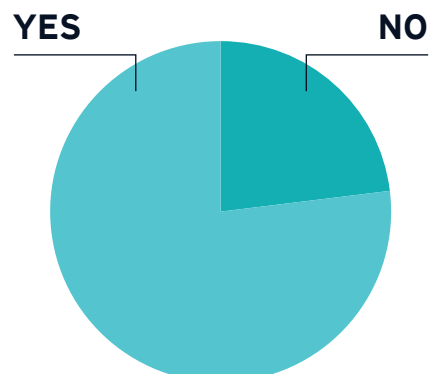
Balance sheet size %



Financial Services Sub Sector %



Are you regulated? %





“Finance functions need to focus on reducing manual effort through process improvement and automation. This capacity is needed for change delivery, data and to focus on generating business insights.

Danny Buckley
Partner, CFO Advisory



Executive Summary

Welcome to EY's Finance of the Future survey. This survey examines the views of Ireland's financial services CFOs and Heads of Finance (finance leaders) on the future state of the finance function.

Changing role of finance

Historically, finance functions have fulfilled the traditional role of 'score keeper', with a focus on the accurate reporting of historical information. Our survey indicates that the finance function will need to develop further as a strategic partner with a focus on driving revenue growth and cost reduction in the business.

Technology & Data

Technology will play a significant role in executing many traditional finance tasks; to leverage this opportunity finance will need to first focus on process improvement.

The extraction of business insight from data will enable finance's ability to strategically partner with the business.

Talent

Finance leaders noted that the biggest challenges facing finance functions today and in the future is talent acquisition and retention. As finance rebalances from historical reporter towards forward looking analytics, new technology related skill sets, such as the ability to exploit big data, will be required.

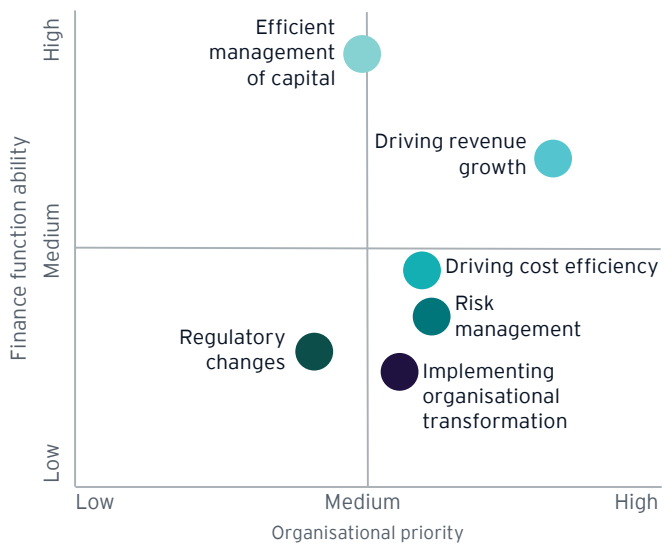
Competing priorities

Finance functions are operating with many competing priorities where change has become the status quo. There is an opportunity for finance leaders to invest in finance transformation, so as to create capacity - this capacity can then be invested in delivering change, enhancing finance capability and generating the insights needed to drive businesses forward.



Future Vision

1. How well equipped is your finance function to deliver against the organisational strategic priorities?



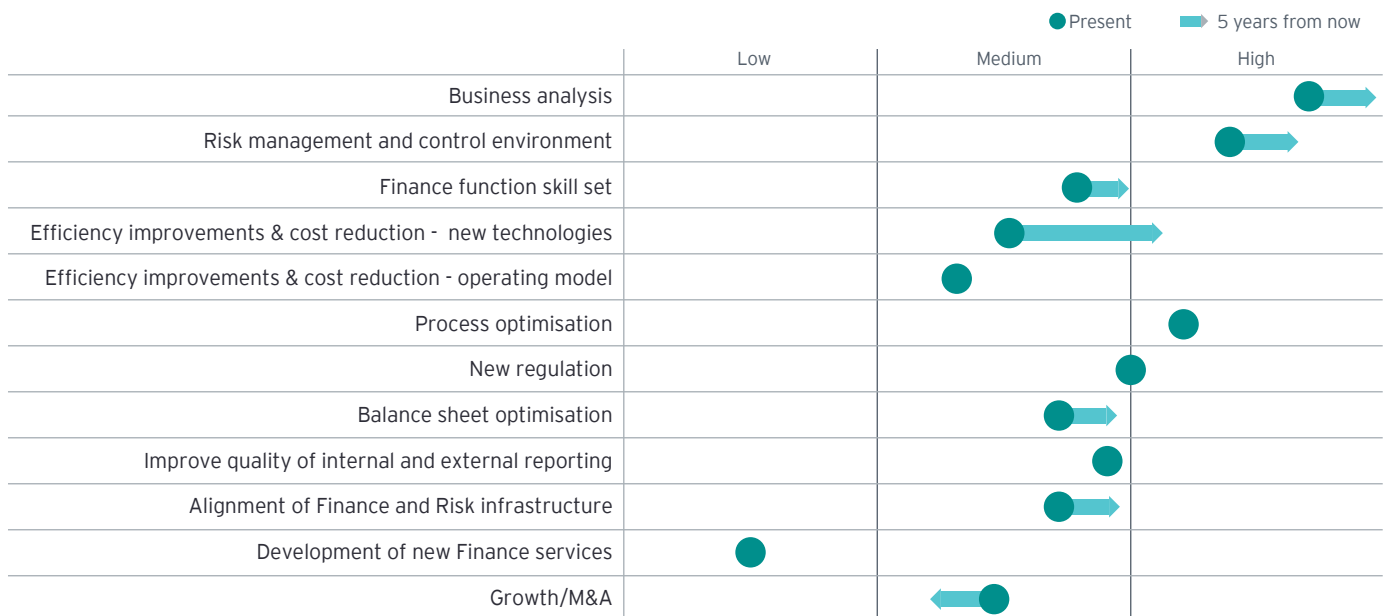
Finance functions need to invest in their ability to deliver on their organisations' strategic priorities.

Finance leaders rated driving revenue growth as their number one organisational strategic priority and noted that their finance function's ability to deliver on this is medium to high. This highlights the ongoing evolution of the finance function to a more strategic role, driving the business forward rather than a function that merely 'keeps score'.

Driving cost efficiency and risk management are also high strategic priorities. However, the finance function's ability to deliver on these is rated medium to low. This is driven by the evolution of the finance function beyond its more traditional roles necessitating investments in new capabilities.

The ability of finance functions to deliver on implementing organisational transformation is low. This is an area that future finance functions will be increasingly focused on as capacity is needed to deliver change and to invest in new capabilities such as data.

2. What are the strategic priorities for finance - now and in five years' time?



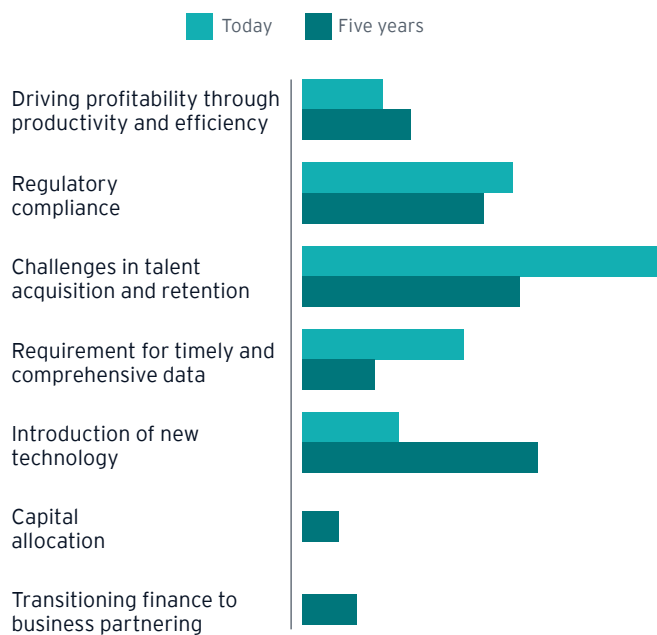
Business analysis capabilities and risk management are set to remain top priorities for finance. Significant growth is anticipated in the use of innovation to drive cost reduction, and this will require investment.

According to finance leaders, the highest strategic priority for finance is the use of business analysis to drive strategy, growth and profitability. This is set to increase in importance over the next five years, consistent with the organisational strategic priorities as noted in question 1.

The next three most highly rated priorities are risk management and control environment, process optimisation and new regulation.

Future Vision

3. What are the biggest challenges facing your finance function today and in five years' time?



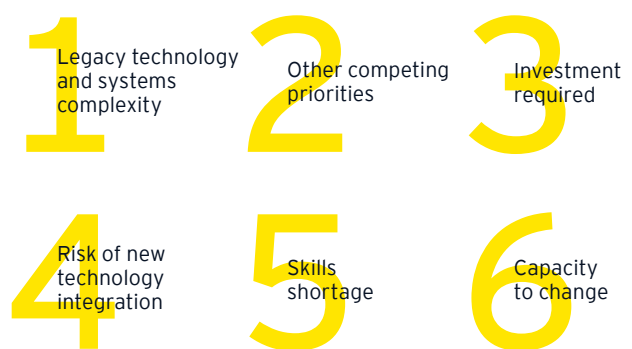
The two key themes shaping the future of finance functions are recruiting the right people and having the right technology.

The most significant challenge for finance leaders today is talent acquisition and retention (noted by almost 40% of CFOs). This is followed by regulatory compliance and the requirement for timely and comprehensive data.

When asked for their views on the biggest challenges facing the finance function in five years time, over 50% noted either the introduction of new technology or talent acquisition and retention as the key challenges.

Sustained investment is required in new technology to address the challenges of the future.

4. What are the barriers to transforming your finance function?



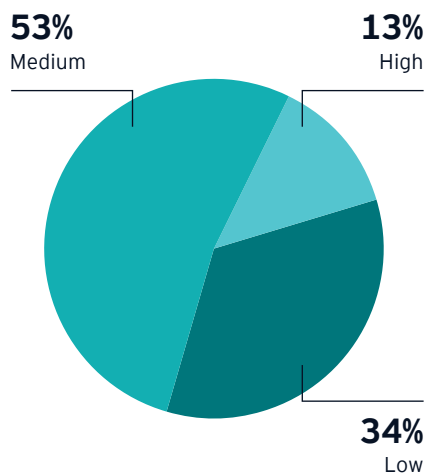
Finance functions need to overcome significant barriers to change to enable transformation.

Considering the role that finance functions are evolving towards (strategic partner from a historic role as score keeper), it is clear that transformation will be required in many finance functions. When asked about the main barriers to transformation, finance leaders noted legacy technology and systems complexity, competing priorities and the level of investment required.

These findings are not surprising. Many finance functions have a highly customised, legacy systems estate making upgrades difficult, costly and time intensive. We are also of the view that the level of 'business as usual (BAU) activity' in finance functions is exceptionally high and freeing up senior resources to develop the change required, and then to drive that change, is very difficult. We also understand the return required on any investment (whether internal or external) and the resulting difficulty in securing funding for change.

However, finance leaders need to demonstrate the strategic value of a transformed finance function to the organisation as a driver of business growth.

5. What level of automation is there in your data quality, analysis, reporting and reconciliations at present?



Investment is required in process automation.

Only 13% of CFOs and Heads of Finance noted that they had a high level of automation in their data quality, analysis, reporting and reconciliation.

This is not aligned with over 60% of finance leaders noting that business analysis is the key current strategic priority nor does it support agile responses to the introduction of new regulations, process optimisation or efficient risk management. In addition, manual processes are more prone to error and heighten exposure of the function to ‘key person risk’.

Finance leaders will need to invest in automation in their various processes to ensure the function is well placed to deliver on its strategic priorities.

6. What are your top 3 operational risks within the finance function?



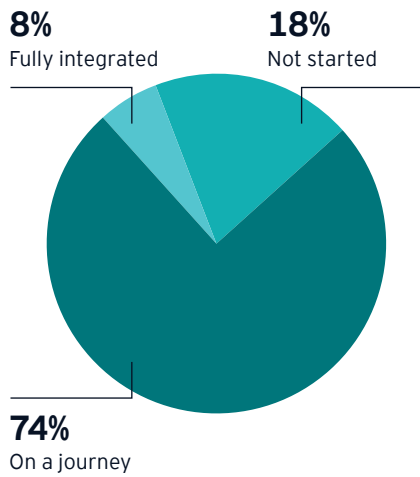
Lack of automation is increasing risk in finance processes.

The top two operational risks in finance functions are the risk of human error and spreadsheet risk. Both imply a significant residual level of manual intervention in the various reporting processes. High levels of manual intervention in the reporting cycle increase the risk of errors and reduce the ability of the organisation to respond quickly to regulatory queries. They also divert resources from performing analysis and identifying business insights from the data, which underpin the present and future strategic priorities of the finance function, and increase the dependency of the organisation on key individuals. In addition manual tasks don’t tend to be viewed favourably by individuals and can add to recruiting challenges.

There is an opportunity here for finance leaders to invest in systems and processes to reduce the level of manual intervention in processes and the reliance on spreadsheet solutions.

Future Vision

7. Where are you on the journey towards establishment of an integrated operating model with Finance and Risk, leveraging shared utilities for capabilities like data, analytics and change?



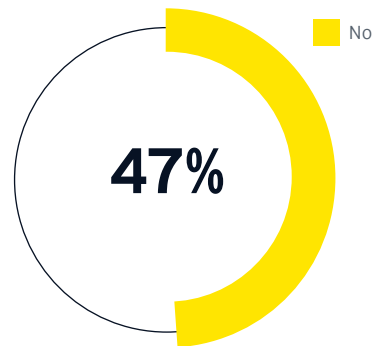
Significant progress is required to fully integrate finance and risk infrastructure including data.

In noting where they are on the journey to integration, only 8% of finance leaders noted that finance and risk operating models are fully integrated.

Establishing an integrated operating model for finance and risk has been a topic recently debated by banks.

From a cost perspective, moving to a single shared dataset would eliminate the need for various reconciliation and controls carried out currently as well as eliminating duplicated roles across the functions.

8. Is your current finance operating model responsive and adaptive enough to meet the demands of a complex fast moving business?

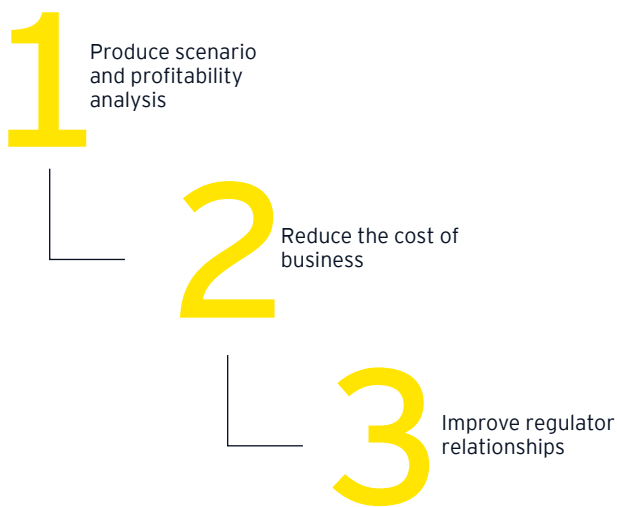


Almost 50% of CFOs and Heads of Finance feel their current finance operating model is not responsive and adaptive enough.

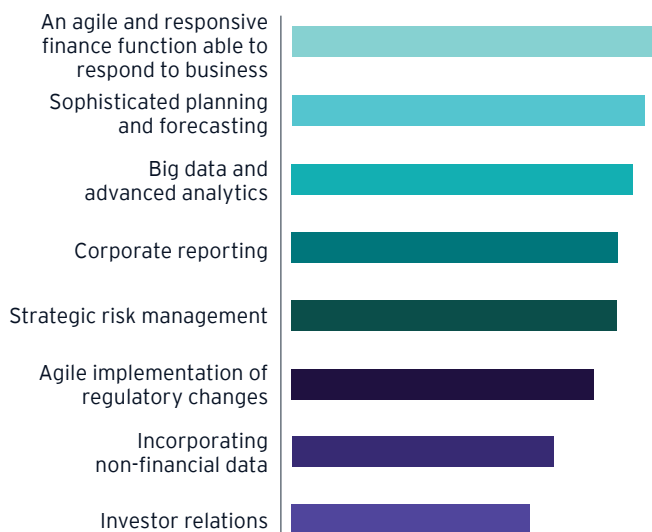
47% of finance leaders noted that their finance operating models were not responsive and adaptive enough to meet the demands of a complex fast moving business, highlighting the need for the remainder to transform the finance model.

Those who have an adaptive and responsive finance operating model have most commonly invested in a combination of finance transformation, in talent and enhancing their systems processes.

9. What are the top three ways your finance function provides value to your organisation's end customers or clients?



10. Looking ahead five years from now, what finance capabilities will be critical to meeting the demands of your organisation?



Finance capabilities need to evolve from reporting historical data towards interpreting data, generating insights and providing forward-looking analysis, in order to drive growth in the business.

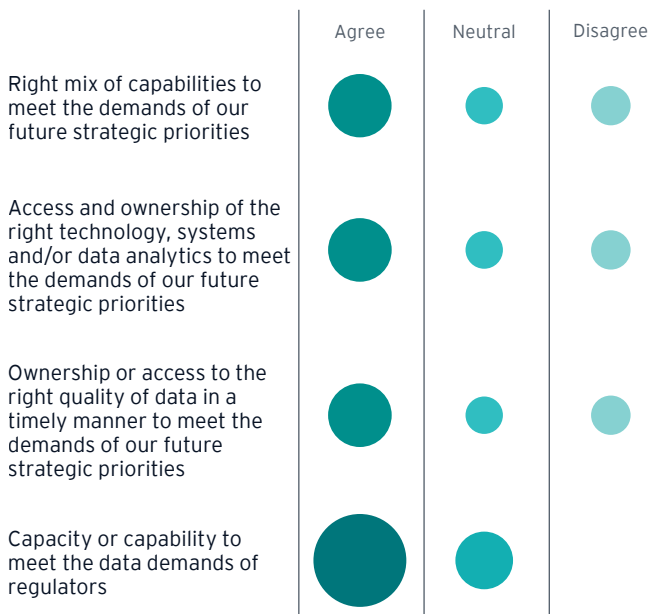
At present, Heads of Finance note that producing scenario and profitability analysis is the most valuable activity performed by their finance functions.

Consistent with the views expressed by finance leaders on the strategic priority for finance being business analysis (question 2), they also believe an agile and responsive finance function will be critical in meeting the demands of the organisation in addition to a sophisticated planning and forecasting process and the capability to handle big data and advanced analytics.

These are capabilities that we believe are relatively new to many finance functions and investment could be required to develop them.

Future Technology

11. Do you have the right finance capabilities?

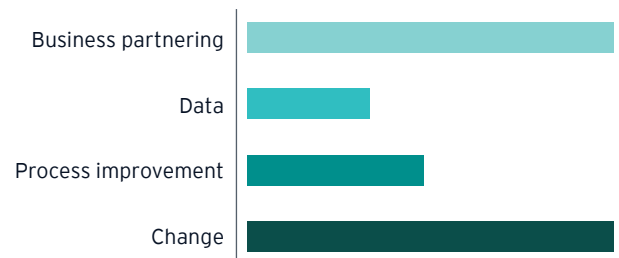


A significant number of finance functions do not have the right capabilities systems and data.

The majority of CFOs and Heads of Finance were satisfied that their finance function could meet the demands of regulators and the chief data officer, as we would have expected. This demonstrates a strong capability to meet the reporting brief more traditionally associated with finance functions.

However, greater than 30% of finance leaders were not satisfied that they had sufficient data, systems (including data analytics) and capabilities to meet the demands of the organisation's future strategic priorities. This implies a significant investment is needed in the majority of cases to enhance capability across data, technology and people.

12. In terms of priority where would you rank these capabilities within your finance team?



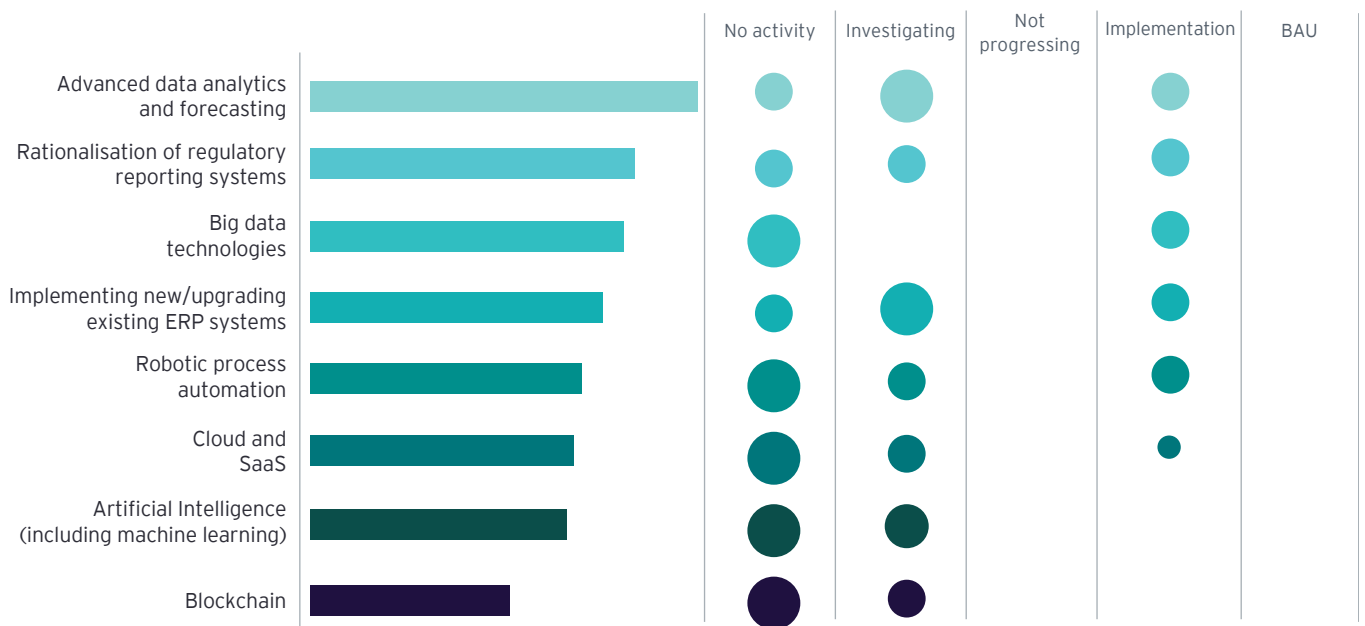
How would you rank your team across each of these capabilities?



Investment is required in data, process improvement and change capabilities

Business partnering and change capability are highly critical to the strategic evolution of the finance function over the medium term in achieving its strategic objectives, as identified in previous responses. In terms of capability, while finance leaders are confident in their business partnering capability, there is a requirement for investment across capabilities in data, process improvement and change.

13. How critical are the following to enable your future finance function? And at what phase is your current finance function?




Technology is critical to enable finance function transformation and risk reduction. However, activity in implementing and using innovative technology is limited.

Almost 80% of CFOs and Heads of Finance agreed that advanced data analytics and forecasting are critical enablers of the future finance function. This is consistent with the view of the strategic priorities for the finance function noted in question 2, where business analysis and the resulting ability to drive strategy, growth and profitability were the clear priority of the function in five years' time.

However, very few organisations are investing to build this capability. Almost 70% of finance leaders note no activity or are only at the stage of investigation in advanced data analytics and forecasting. There is a need to build these capabilities.

In addition, the risk of human error and spreadsheet risk were identified as the top two operational risks for finance. However, with 53% of finance leaders noting no activity in robotic process automation and 29% noting no investment in new systems/system upgrades, there is a long way to travel for many finance functions to lower this risk profile with current levels of investment.



● Building a diverse range of skills and leveraging the latest technology to unlock the true power of their data will be the key enabler for the CFO to remain at the heart of strategic direction and execution in their organisation.

Dermot Keegan
Partner, CFO Advisory

Future Organisation

14. Evolution of the finance function

■ Agree ■ Neither agree nor disagree ■ Disagree

I see the role of the finance function fundamentally changing in the next 10 years, as traditional finance tasks are automated or managed under new operating models.

My finance function cannot focus on strategic priorities as much as I would like, because we are being asked to take on additional operational responsibilities beyond core finance.

My finance function cannot focus on strategic priorities as much as we would like because of the time we need to spend on traditional areas, such as compliance, control and management of costs/budget.

The operational burden of the traditional reporting role will make it difficult for finance to evolve.

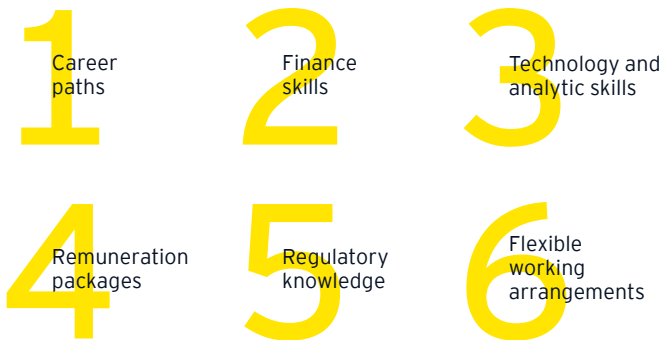
Almost 70% of finance leaders note that the role of finance will change in the next ten years, as traditional finance tasks or roles are automated. This is difficult to reconcile with the modest investment currently underway in systems and robotics technology.

In addition, 60% of finance leaders note that the operational burden of the traditional finance reporting role is an inhibitor to focusing on strategic priorities. There is a clear need to invest in systems and other innovative technologies so that finance resources can be utilised more strategically, focusing less time on historical reporting and more time on value add activities such as driving insights from data analysis and forecasting.



Future Workforce

15. What are the challenge in attracting and retaining talent?



Unclear progression opportunities, uncompetitive remuneration packages and lack of flexible working arrangements are among the key challenges in attracting and retaining finance talent. CFOs and Heads of Finance are also struggling to attract talent with the right technology and analytical skills.

There is a clear need for finance functions to evolve over the next five years and to develop new skills that, as a function, they have not possessed before. This makes the strategic recruitment of new talent a priority.

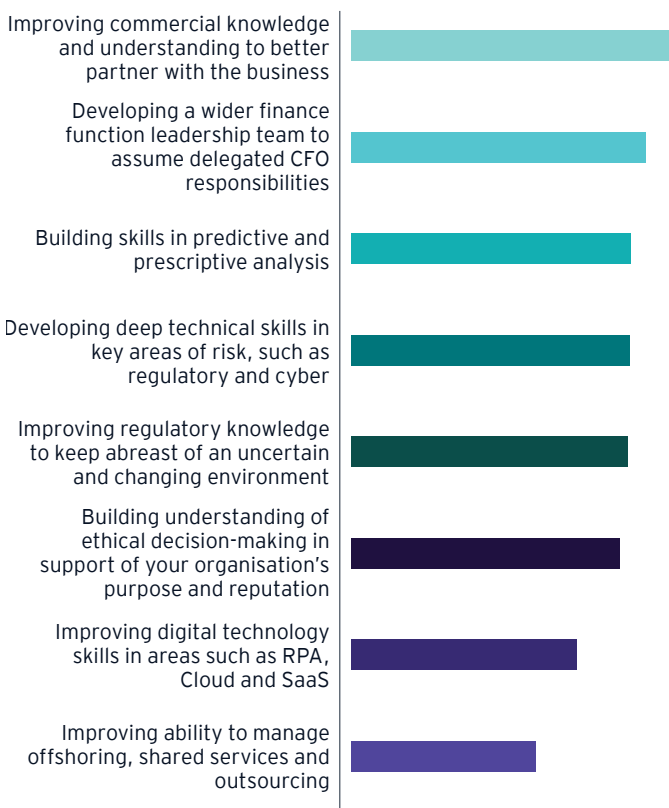
In addition, finance leaders have also noted a reliance on a somewhat out-of-date and complex systems architecture and the use of processes that are highly manual, making retention of current talent necessary for the smooth continuation of BAU delivery.

Finance leaders need to incentivise the right talent into the function. This means, at a leadership level:

- ▶ Investing time to developing rewarding and growth orientated career paths within finance teams
- ▶ Actively recruiting from outside of typical finance areas, with an emphasis on people with sector (business) experience and data professionals
- ▶ Committing to providing workplace solutions that offer real flexibility
- ▶ Recognising the strategic contribution of successful finance professionals with competitive remuneration packages

Future Workforce

16. Looking ahead five years from now, how important will the following people and skills initiatives be for your finance function?



Finance functions will need to invest in talent to grow and develop new skills, not traditionally associated with finance functions.

When asked to identify people skills and initiatives that will be important five years from now, CFOs and Heads of Finance focused on the need to improve commercial awareness, to develop a wider leadership team to assume delegated CFO responsibilities and to build skills in predictive and prescriptive analytics. These skills have not typically been present or prioritised in some finance functions and investment will be required in people both in terms of developing existing colleagues and also investing in new talent to augment the current skillset.

17. Recruiting for the future of the finance function



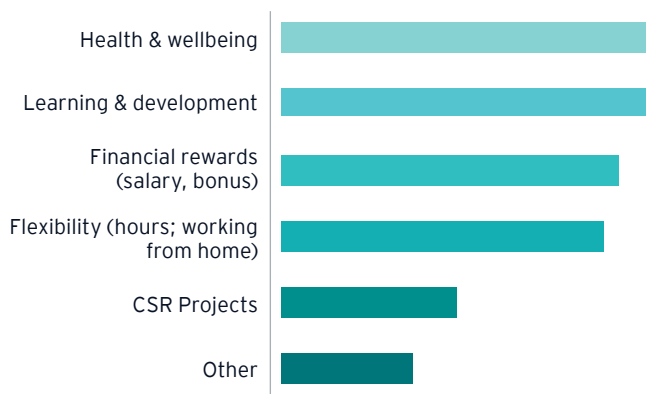
Finance teams need to recruit from new and diverse areas and from different skillsets in order to succeed in the future.

Over 80% of finance leaders see the need to recruit finance executives with technology and data science related skills and experience in the future. This change in recruiting practice is consistent with the new skillset that will be required for the functions' evolution into the future.

It is a concern that almost 30% of finance leaders believe that we are facing a growing talent crisis in terms of finding finance leaders who can thrive in tomorrow's environment. This crisis can only be alleviated by finance functions expanding their recruitment practice beyond the areas from which finance team members have historically been recruited.

This would also require careers within finance to become more attractive with investment required to develop appealing and well thought out career paths and appropriate work-life balance.

18. What measures are you taking to engage Gen Z/millennials?



Gen Z/millennials are typically being engaged through health and wellbeing and learning and development initiatives over financial rewards.

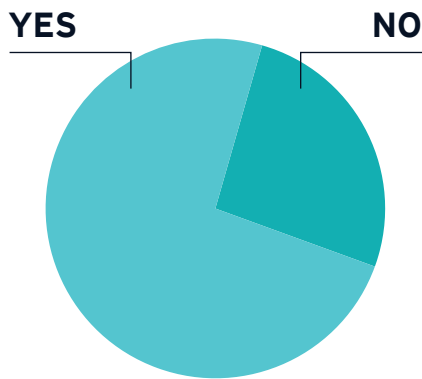
Looking at how CFOs and Heads of Finance engage with Gen Z/millennials, we see a greater emphasis on non-remunerative elements of the rewards package. More weight emphasis is placed on health and wellbeing initiatives and learning and development rather than just purely financial reward.

Consistent with the previous responses, this will drive a requirement within finance functions to deliver well thought out career progression plans and ensure an appropriate work-life balance exist at all levels of the finance organisation.

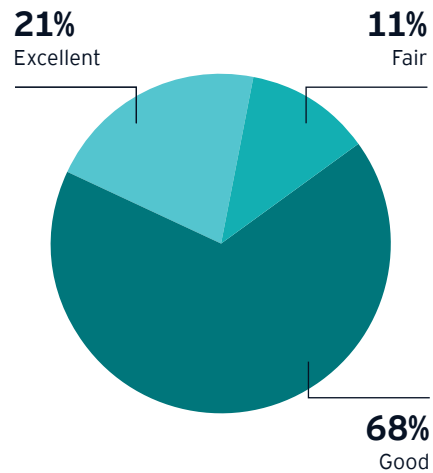


Future Workforce

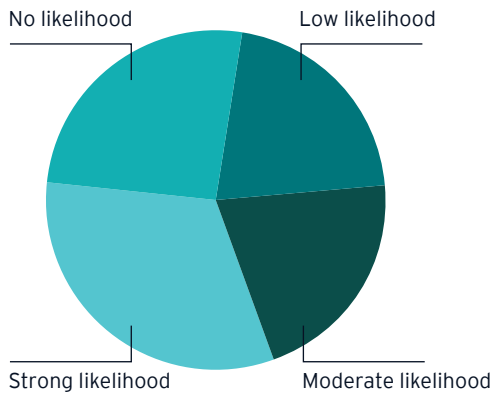
19. Do you currently have operations outside Dublin?



21. From poor to excellent how would you rate Dublin as a place to do business?



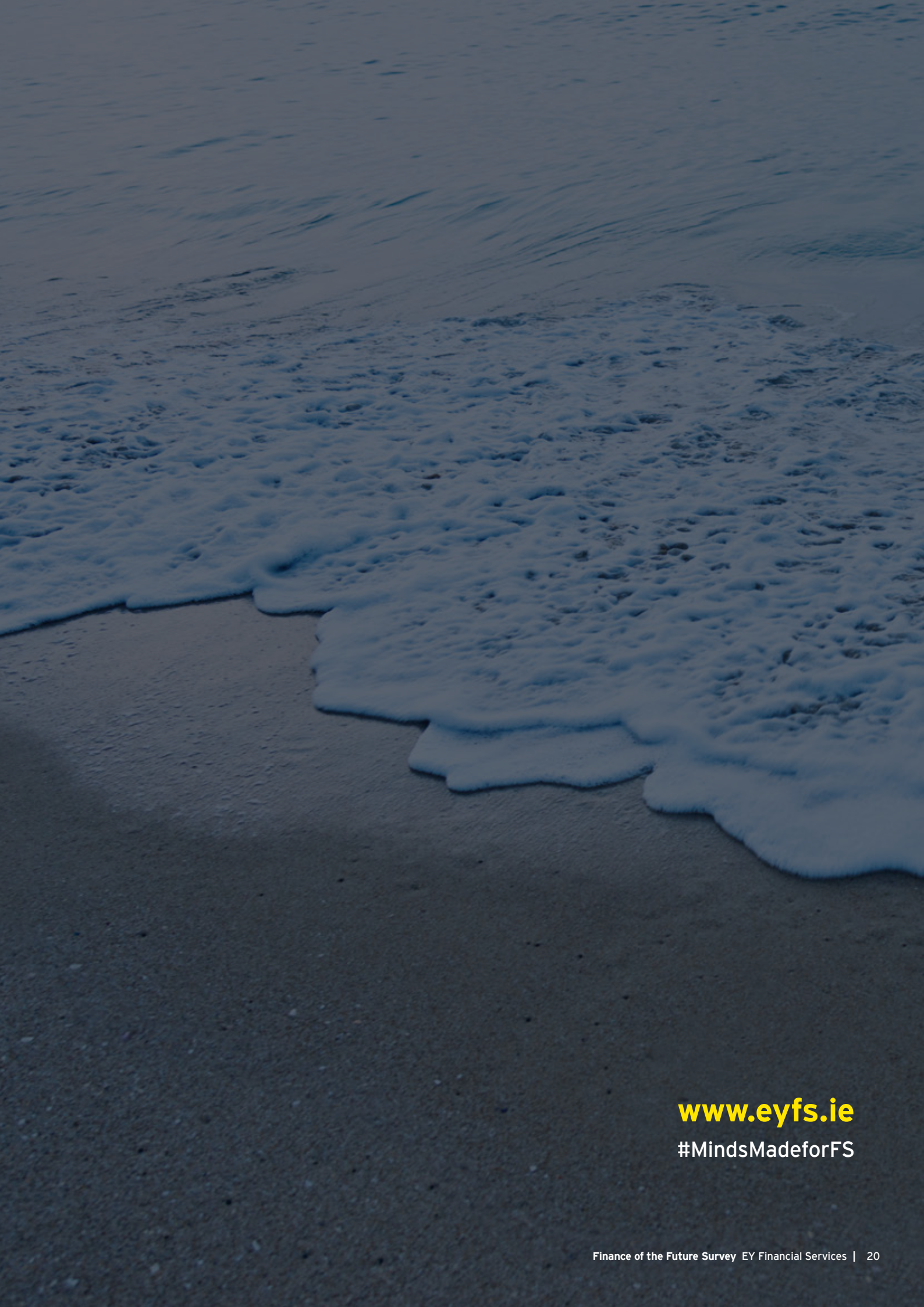
20. How likely is it that you will expand your operations outside of Dublin within the next 5 years?



As expected, the vast majority of the finance functions operate within Dublin.

Overall, CFOs and Heads of Finance rate Dublin strongly as a place to do business with 89% rating it as either excellent or good attributing their responses mainly to the availability of a good talent pool and the ease of doing business. Where concerns were noted, they were mainly cost of living and infrastructure related.

49% of finance leaders believe that they will expand operations outside Dublin within the next five years. We believe this is likely driven by increase in outsourcing and off-shoring of BAU finance activities to freeing up central finance resources to focus on value adding activities.



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ED None

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