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How Covid changed the role of the finance director forever

Covid has accelerated the trend for the finance director to become more of a strategic adviser, assuming much of what used to be the COO role. But to do that they need to summon up accurate, real-time financial data kept in the Cloud.

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WHITE PAPER

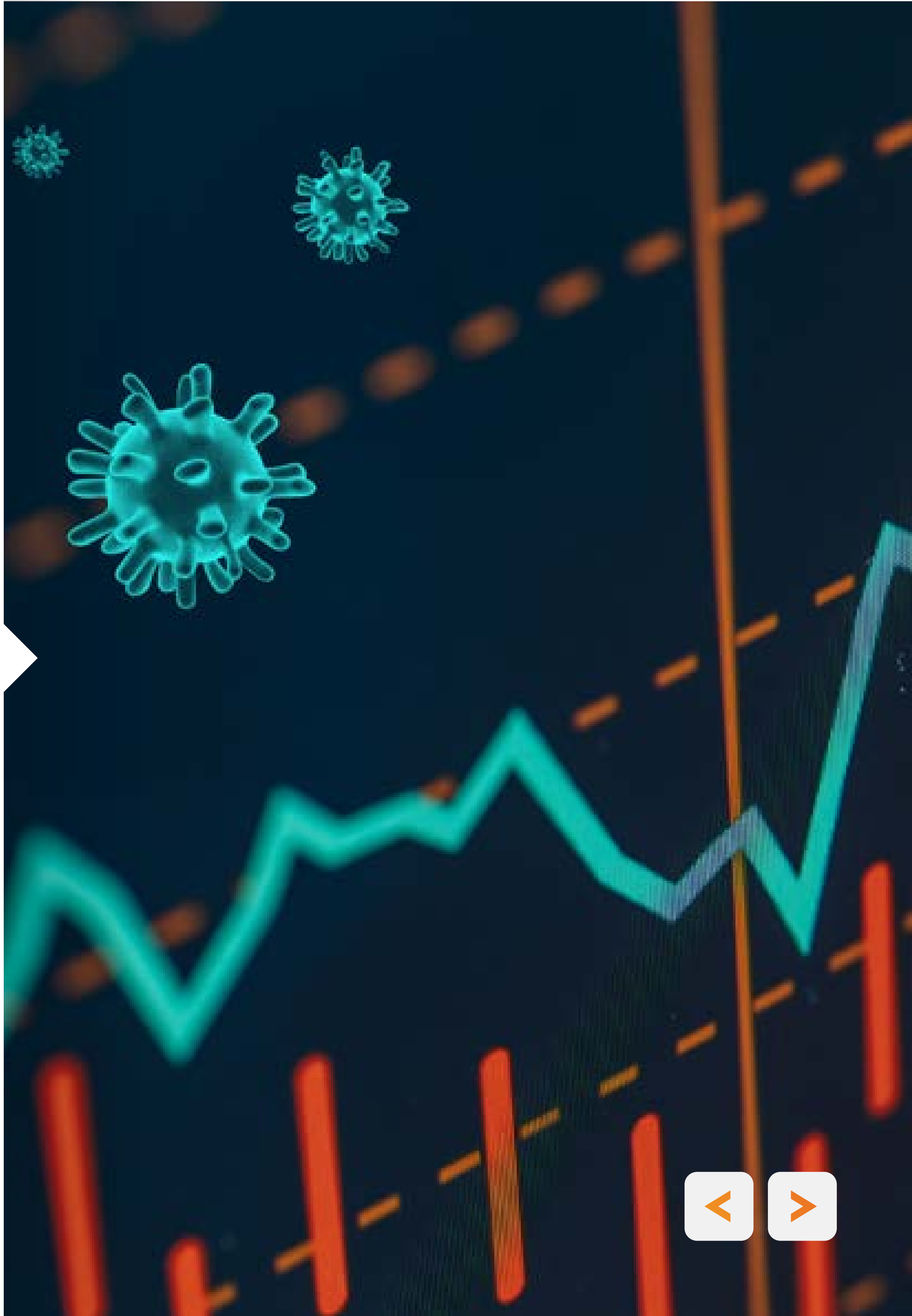
What happened when Covid-19 first hit

When the first wave of the pandemic hit, capsized businesses turned to their finance directors to help right the boat. At the start of the crisis in March 2020, finance directors were triaging priorities – deciding what expenditure was sacrosanct, which projects could be jettisoned and where costs could be slashed – to keep businesses afloat.

The finance director quickly became the go-to person to help the CEO steer the business into safer and calmer waters. Managing cash and liquidity, reducing costs, reforecasting revenues and getting to grips with Government emergency Covid financial support, were all equally critical during those fraught early weeks.

What that meant was that finance directors needed real-time financial data to base decisions on, not reams of outdated paper spreadsheets.

Mark Lewis, Board Director of recruitment firm Livingston James Group, says: “Like all of us, the CEO was thrust into more of a future-casting role trying to determine what the world would look like post pandemic; what that meant was the CFO having to deputise into the CEO’s business as usual activities, all the while having to answer the main fundamental short-term question - how is the business going to survive??”



How the role of the FD has changed

Of course, as with many other things, the pandemic has simply accelerated a business trend that has existed for many years.

The move from the finance director just being a bean counter to more of a COO role with oversight of not only finance but HR, procurement and technology – all backed up with numbers - is a relatively old concept, having been the direction of travel over the last decade.

The finance director is no longer just an accountant who only looks at things in hindsight but a strategic business leader with a remit more like the COO and, on occasion, the CEO. Indeed, larger organisations define the CFO and the finance director differently; the CFO has a more 360-degree view of the business, covering IT, HR as well as finance. The pandemic pushed finance directors into making decisions faster – and in many cases, those decisions were proven to be good ones – removing the fear associated with acting quickly in case something got missed, which is where digitisation and automation came in. Financial software and working in the Cloud helped finance directors to execute at pace and with confidence.

Lewis says: "The CFO has become much more of a broader leadership role. This is here to stay. The CFO is having to empower their teams much more than before. And their hands have been forced when it comes to automation; if you do not automate, you simply cannot do your job effectively."

For organisations to survive and thrive in the world the pandemic has created, the finance director must remain in the strategic seat and be an agent for change.

Iain Wright, ICAEW Director for Business and Industrial Strategy, says: "People have to make faster decisions and evaluate those decisions quickly. A finance director is not just about the numbers. The chartered accountant has become a strategic business leader using technology as a tool, yes, to optimise performance but also to make faster, more meaningful business decisions. That's really accelerated over the pandemic."

59%

The percentage of business who say adopting Cloud software and technology is their spending priority.

Source: Advanced Annual Trends survey

Digital transformation

Until now, businesses have accepted migration to the Cloud as an ongoing incremental process. What Covid has done is get rid of the barriers and resistance to digital transformation. The effect of the pandemic has been to embrace digital accounting software, which is now engrained for the long term. If you want your business to continue, adopting digital accounting software has become essential.

Wright says: “There’s been a steady move towards the digitisation of the role of the finance director. The image of the person beavering away in the back office, poring over debits and credits, is a myth. These trends have been apparent since the turn of the century. What Covid has done is accelerate them dramatically, consolidated them for the long term, and almost given them permission.”

The shift to home working

And this shift has been seismic given the move within organisations to home working.

At the same time, home working revealed outmoded practices and inefficiencies in the finance team which had not been exposed before. One might ask why so much record keeping was done with hard copies or why cheques were still being processed?

The need to provide software that enables remote working has dramatically increased. Businesses that thought digital accounting platforms were a nice to have scrambled to keep up. And the elimination of paper-based processes is vital to allow staff to carry out all the key aspects of their role away from the office.

The truth is that during the financial crisis of 2008, many companies which embraced digital technologies, whether through Cloud data storage or digitising work processes, leapfrogged the competition. This Covid crisis will have similar implications.

77%

The percentage of business leaders who say that shifting their organisation to a digital-first mindset will be one of the legacies of Covid.

Source: Advanced Annual Trends survey

Empower your finance team

So, how will digital financial software change the day-to-day working of finance teams?

Remote-working finance teams need to be focused on the key areas of analytics, scenario modelling and planning to support business decisions in real time.

Automation of transactional processes and tasks and the move to Cloud computing will provide the foundation for the future benefits of advanced analytics and artificial intelligence. Junior staff, whose jobs were to do more mundane number-crunching, will have their roles empowered by automation with better, more interesting and valuable work. However, finance directors will need to foster this change and offer retraining to enable it.

Lewis says: “People earlier in their careers are less interested in ‘serving their time’ in number-crunching roles; they immediately want to do something which improves bottom-line performance. Post-pandemic, a lot of people are going to need to be retrained very rapidly into those roles not swallowed up by automation. The future generations want to do work that’s properly valuable, filled with genuine purpose.”

Facing this threat, it is fundamental to have access to real-time, in-depth reporting. It’s more important than ever to base business decisions on concrete statistics. If your current accounting software is not up to the job, now is the time to make the change.

Embrace Cloud technology

There is no denying that hosting software and business data in the Cloud brings a multitude of other benefits with it - that's why so many businesses made the transition before now.

Fifty-nine per cent of business leaders say adopting Cloud software and other technology will be their spending priority for the next 12 months, according to last autumn's fifth Advanced Annual Trends Survey Report.

And more than three quarters (77 per cent) of business leaders said that one of the legacies of Covid-19 will be to shift their organisation to a digital-first mindset.

Indeed, ensuring all employees have the digital tools needed to do their jobs productively has become the most important attribute for a business leader (46 per cent), even more than showing strong leadership in a crisis (43 per cent).

The concerns that some have had about security and the cost of Cloud-based technology have long been resolved. The likelihood is that IT leads need to look at flexible and cost-effective, subscription-based options going forward, so moving to the Cloud makes sound business sense.

Wright says: "It's always been on the to-do list as something to be done in the next three to five years in terms of digitising processes and embracing Cloud technology. But Covid has given it a real immediate means by which it has to happen. You have to embrace digitisation if you want to stay in business."

Lewis points out that if any companies are stuck with cumbersome, legacy systems, they will have difficulty recruiting higher calibre people who want to do valuable work. If a company cannot offer stimulating work, then they will move on. Millennials do not have any desire for one company offering them a job for life. People in future will move roles more frequently than ever before, especially if they feel their development is impeded where they are currently.

More empathy needed

One unexpected effect of the home-working revolution and managing finance teams remotely is that not only do finance directors have to be savvy technologically, but their personal skills need to be amplified.

When you have a team of 50 under you, each of them will be juggling their own working-from-home pressures, whether it's home schooling or caring for elderly, vulnerable parents.

Given the distances between you and your staff, finance directors need to be able to reach out and bridge that gap over a Zoom call or a Teams meeting. If anything, business leaders need to be more human, more empathetic.

Adoption of digital technology must go together with strong interpersonal skills. Employee mental health is absolutely critical right now. Over the past 12 months senior leaders have realised that employee wellbeing needs to be a top priority in ensuring not only productivity but also loyalty and retention. Your people are your number one asset – giving them the tools and the environment to succeed is the only way your business will prosper.

A brief history of accounting technology

3300-2000 BC First examples of accounting found on clay tablets of tax records discovered in Mesopotamia and Egypt.

1458 Benedetto Contrugli invents the double-entry accounting system - broadly defined as any bookkeeping system which involves a debit and / or credit entry for transactions. The double-entry system revolutionised accounting.

1880s William Burroughs invents the mechanical adding machine.

1890 Herman Hollerith develops a punch-card machine to speed up data handling for the US Census.

1911 IBM founded and sells Hollerith's punch-card machine to American businesses for accounting use. By 1928, an IBM tabulator can process 100 cards a minute.

1955 General Electric buys the UNIVAC (Universal Automatic Computer) to run payroll in its factories. Developed by John Mauchly and J. Presper Eckert, the UNIVAC stores data on magnetic tape instead of punch cards.

1978 Visicalc spreadsheet software enables financial modelling to be done on computer. That same year, Peachtree Software launches an accounting software package for personal computers. Companies can now computerise their accounting at a fraction of the cost of buying a mainframe computer.

1985 Microsoft releases Excel solely for Macintosh computers, which goes on to become the world's most popular spreadsheet software.

1988 SAP and Oracle collaborate, offering accounting software to enterprise-level businesses and corporations.

1998 QuickBooks launches and dominates the market for microbusiness bookkeeping, becoming the most popular accounting program in the US.

2019 Advanced launches Cloud Financials, bringing enterprise-level digital accounting software functionality within the grasp of mid-sized SMEs.

The talent pool just got wider and deeper

What happens if your finance team does not have to commute into the office every day? Home working means that finance directors can now recruit staff from anywhere in Britain or even overseas.

Does it matter where you are?

On the face of it, it seems archaic that in the future our finance team will have to commute to the office, so they can all sit down at their desks at precisely the same moment.

Home working has shown daily commuting to be a relic of Victorian working practices.

When all of our day is spent looking at screens, why does it matter where you are?

In the past, the finance team may well have felt that they needed to work in physical proximity – tracking the progress of paper orders or invoices meant that teams were set up to pass it from desk to desk as each element of the process was conducted. In the digital age, that is no longer the case; the need for everyone to sit in the same building is no longer required either.

Last April, a Gartner survey revealed that 74 per cent of American CFOs expect to move a number of previously office-bound employees to remote working permanently from now on.

Alexander Bant, Practice Vice President, Research for the Gartner Finance Practice, said: “CFOs, already under pressure to tightly manage costs, clearly sense an opportunity to realise the cost benefits of a remote workforce. In fact, nearly a quarter of respondents said they will move at least 20 per cent of their on-site employees to permanent remote positions.”

‘Ensuring all employees have the digital tools needed to do their jobs productively has become the most important attribute for a business leader (**46%**), even more than showing strong leadership in a crisis (**43%**).’

Source: Advanced Annual Trends survey

What agile working means

The future, according to some, will be agile working – a blend of coming into the office for collaboration and team meetings, and working remotely.

Agile working is nothing new – as with many other aspects of our lives, the Covid-19 pandemic has accelerated what was happening anyway.

But if your finance team no longer needs to physically be in one place, what does that mean for recruiting new staff?

Supermarket giant ASDA dispersed its head office during the pandemic and its Resourcing Manager, Simon Halkyard, has questioned restricting the business to one location once lockdown is lifted "when you can reach a nationwide [or even global] talent pool. We now have the proof that it can be done."

Because it is easier to now work remotely, it's going to deepen the talent pool companies can recruit from. You can employ people in Slough, Glasgow or Pontypridd for a role that might have previously been based in Leeds.

Mike Faull, a Partner at Savannah Group, the recruitment firm which recruits CFOs for clients ranging from the FTSE50 to fast-growth private-equity-backed SMEs, accepts that the future of the office is probably going to be a blended environment, where people commute in for collaboration and team meetings.

Faull says: "Looking into my crystal ball, we're going to see more geographically diverse finance teams. However, it's a little early to see the effects of that coming through. During the pandemic, senior finance recruitment has been comparatively quiet, but the mood music is right, and the technology is there now we are accelerating out of it."

So finance teams may be more geographically diverse, enabling finance directors to hire from a deeper and wider talent pool, but if you're board level, you still need to be able to commute into your head office within a reasonable time.

Human touch

The move to remote working is not entirely beneficial for finance teams.

First, working from home makes the oversight and training of junior team members – a key responsibility for finance directors - more difficult.

Junior team members must be allowed to make mistakes if they are to learn and as team leader, you've got to be there to guide them. Those tiny mistakes can snowball quickly if they cannot get hold of their manager because she's on back-to-back Zoom calls all day.

Faull says: "Being side-by-side with a finance director and learning from them is infinitely more valuable than having a video chat once a day.

"Part of a CFO's responsibility is to build teams and develop future talent. That future talent learns from leadership - which at some point needs to be in person to provide effective mentoring.

Correcting mistakes faster

On the other hand, Cloud computing and real-time data does allow those mistakes to be picked up and corrected faster, whether you're in the office or working from home.

A further challenge from a job applicant's point of view, is that this shift to remote working widens the field of potential candidates. If geography does not matter, you could find yourself competing against applicants from other countries.

For junior staff especially, outsourcing poses a threat. There's a real danger for staff being displaced by juniors in South Africa, for example, which has an excellent university education system, a weak Rand and no time difference.

About the author

Tim Adler is editor of SmallBusiness.co.uk, the #1 website for SMEs in Britain, which last year was named alongside the BBC and the Daily Telegraph for the excellence of its journalism.

He is a former commissioning editor at the Telegraph, who has also written for the Financial Times and the Times. The Sunday Times called Tim's most recent nonfiction book "compulsively readable", while the Daily Mail called it "dazzling".

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