

# Digitization – Future-Proofing Management Accountants

Timothy Driscoll, CMA, CSCA

October 4, 2021



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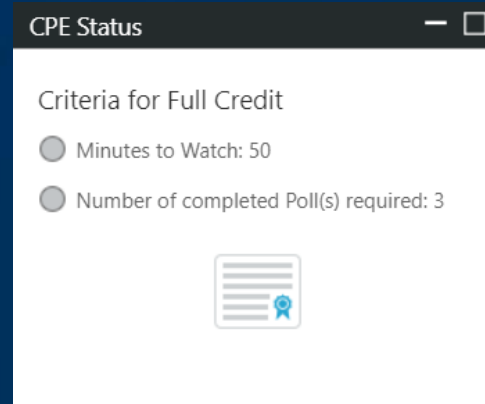
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# Featured Presenter

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# Tim Driscoll's Biography

Tim Driscoll, CMA, CSCA is a results-driver leader with 30 years of progressive financial leadership experience across financial planning and analysis, controllership, and financial operations disciplines.

Tim currently works for the Commonwealth of Massachusetts, within its Executive Office of Technology Services & Security organization. Prior to his public sector experience, Tim spend 25 years in the private sector holding key global financial leadership positions in the US and Asia, with Thomson Reuters, Omgeo LLC and the DTCC.

Tim currently serves as the Chair of IMA's Technology Solutions and Practices Committee. He holds a MS in Accounting from Bentley University, as well as a MBA and BS in Finance from Northeastern University. Tim is a Certified Management Accountant (CMA) and Certified in Strategy and Competitive Analysis (CSCA).

# Learning Objectives

1. Explain the basic concepts of digitization.
2. Identify the latest trends in digitization.
3. Recognize how digitization trends are impacting business operating models.
4. Discuss the implications of digitalization on finance and accounting practitioners.

# I. The Basic Concepts of Digitization



# What is Digitization?

**Digitization** is the process of converting information into digital formats that can be processed by computers

- Text
- Sound
- Video
- Picture



*examples of digitized information that we  
consume daily on smart phones*

The digitization of data presents opportunities to a) automate manual processes, b) provide real-time business intel and so much more.

Gartner describes digitalization as the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.

# Digitization versus Digitalization versus Digital Transformation

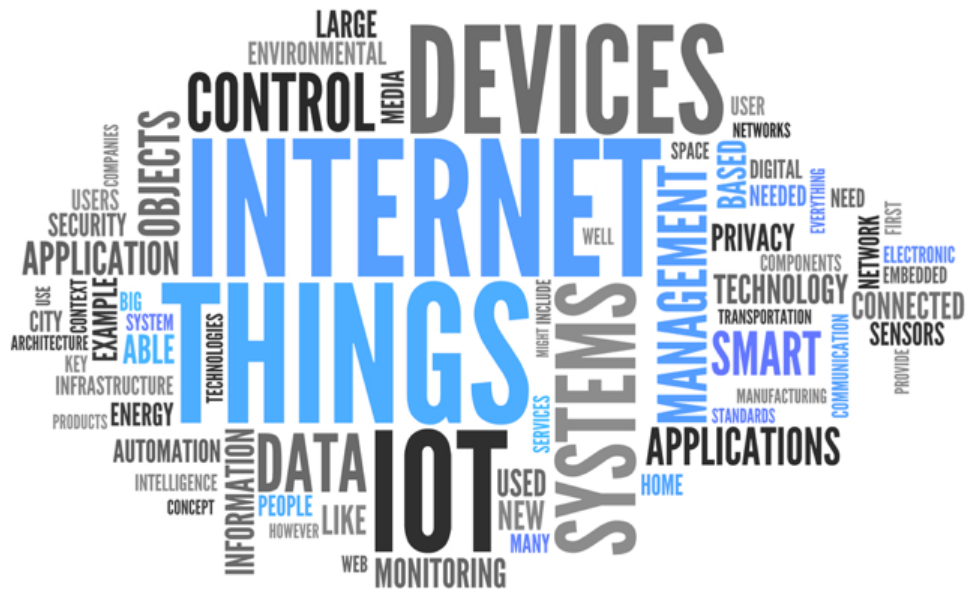
Let's try to reduce some confusion .....

Remember, achieving digitization does not equate to achieving digital transformation

Digitization	Digitalization	Digital Transformation
According to <u>Gartner</u> ,  “ <b>Digitization</b> is the process of changing from analog to digital form”	According to <u>Gartner</u> ,  “ <b>Digitalization</b> is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities”  “It is the process of moving to a digital business.”	According to <u>Gartner</u> ,  Digital Transformation, more broadly refers to the customer-driven strategic business transformation that requires cross-cutting organizational change as well as the implementation of digital technologies.
Digitize information (text, music, voice, pictures, etc) <b>**Achieves a tactical objective**</b>	Digitize processes that make up business operations	Achieve digital transformation of the overall business and strategy <b>**Achieves strategic and competitive goals**</b>

# Key elements of a digital infrastructure

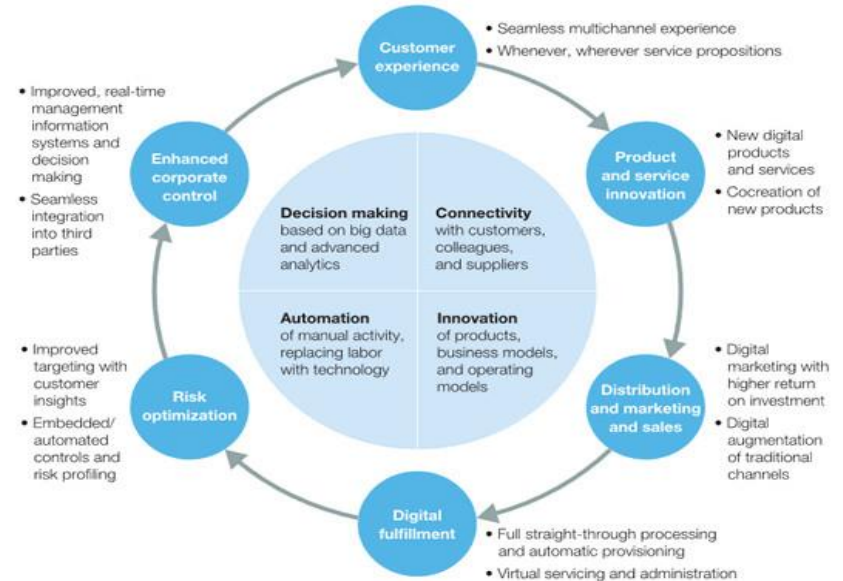
Unstructured, the elements of a digital infrastructure are vast across a wide swath of industries and companies.



# An integrated look at digitization - Its Potential

The process of achieving digital objectives, across an organization can yield significant process, product, and strategic advantages across multiple industries.

Digital can reshape every aspect of the modern enterprise.



Source: Expert interviews; McKinsey analysis

# Poll Question 1:

Which of the following is an example of digitalization?

- a. A corporate, business, and operating strategy focused on integrated digital goals
- b. Converting 2021 client contracts into digital format
- c. The procure-to-pay process becomes fully digitized
- d. The sales pipeline report becomes fully digitized

# Poll Question 1 Results: (Placeholder)

## II. The latest trends in digitization

# Top 10 Trends Influencing Digital Transformation

## Analytics Insights Inc.

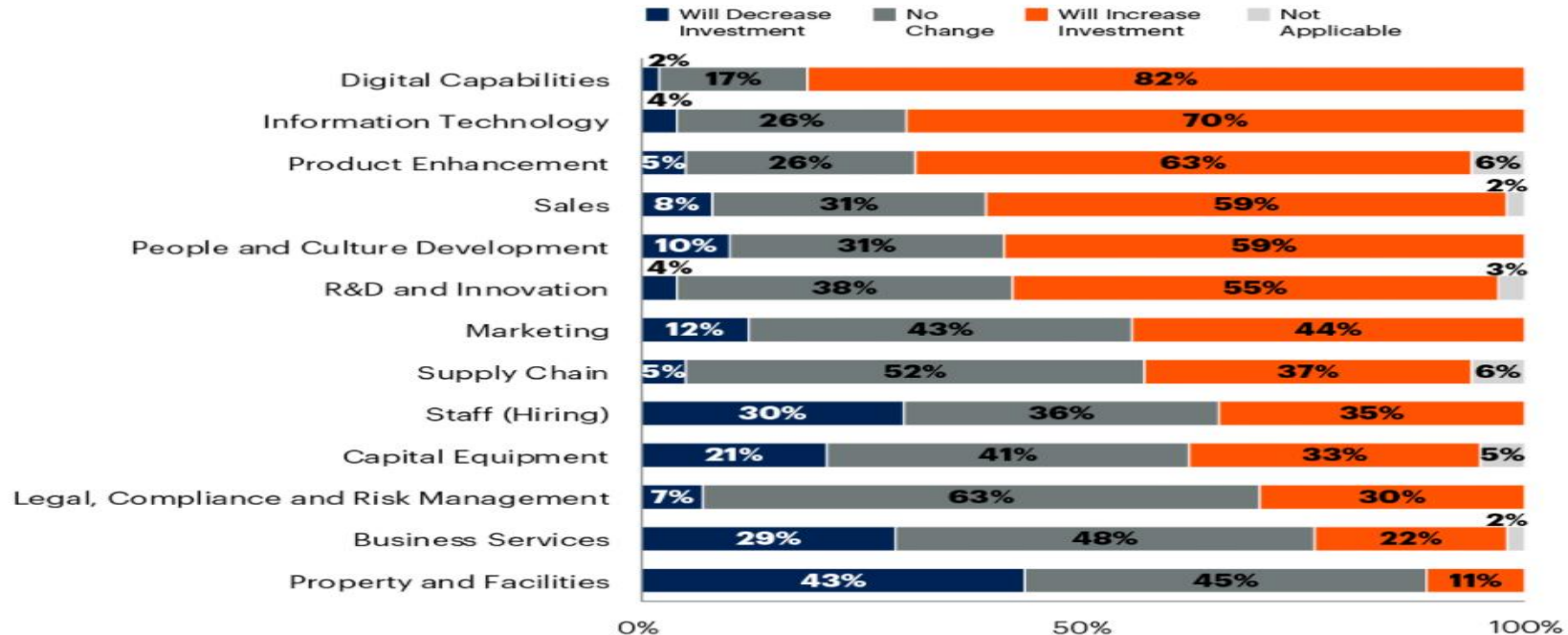
1. **Remote Work** is here to stay
2. **5G** to deliver speed/connectivity that will support need for growing demand for bandwidth & reliable connectivity
3. Expansion of **blockchain technology** to continue globally
4. Prioritizing **cybersecurity** to stay ahead of robust digital transformation advances
5. **Digital banking** to pick up steam; Achieving a digital user experience
6. **Customer Data Platforms** will storm. Data is at the center of customer-centric business models
7. **Multi-cloud and hybrid cloud** systems will flourish this year and beyond and will shape the transformation of businesses.
8. **Quantum computing** will be explored for future digital transformation benefits
9. **Everything as a Service or XaaS** is gaining importance in the business ecosystem
10. With AI, machine learning, and robotics being integrated into businesses, it will be possible to automate the Enterprise Resource Planning model to enable better growth and agility.



# Deloitte – 8 Predictions for Finance 2025

8 predictions	Descriptions
1. The finance factory	<b>Transactions will be touchless</b> as automation and <b>blockchain reach deeper into finance</b> operations
2. The role of Finance	With operations largely automated, <b>Finance will double down on business insights and service</b> . Success is not assured. <b>The skills required by finance professionals will change, likely dramatically</b> , as new combinations of technology and human workforces permeate the workplace
3. Finance cycles	<b>Finance goes real time</b> . Periodic reporting will no longer drive operations and decisions—if it ever did
4. Self-service	<b>Self-service will become the norm</b> . Finance will be uneasy about this.
5. Operating models	<b>New service-delivery models will emerge as robots and algorithms join a more diverse finance workforce</b> —think about the integration of freelancers, gig workers, and crowds.
6. Enterprise resource planning	<b>Finance applications and microservices challenge traditional ERP</b> . Big vendors will be prepared.
7. Data	The proliferation of <b>APIs will drive data standardization</b> , but it won't be enough. Companies will still be struggling to clean up their data messes.
8. Workforce and workplace	<b>Employees will be doing new things in new ways</b> , some of which will make CFOs uncomfortable.

# Gartner Survey - 82% of CFOs intend to increase investment in digital capabilities



n = 115, All CFO respondents

Q: Compared to fiscal year 2020, how will your organization's investments in the following business areas change in fiscal year 2021?

Source: 2021 Gartner CEO and Senior Business Executive Survey

# Digitization Trends – 2021+

The common thread across these technology and finance trends is the dependence on ...

**DIGITAL DATA**

## Poll Question 2:

Which is NOT a key market trend in Technology?

- a. Everything as a Service (XaaS) is gaining importance in the business ecosystem
- b. Digitization is expected to plateau by 2022
- c. Prioritizing cybersecurity to stay ahead of robust digital transformation advances
- d. Remote work is here to stay

## Poll Question 2 Results: (Placeholder)

### III. How digitization trends are impacting business operating models

# The Digital Yield.....

## Outcomes business leaders seek from digital transformation

Potential Benefits	Description
Enhanced Data Collection	<ul style="list-style-type: none"><li>Optimizing data for analysis can drive the business forward.</li><li>Across the organization it can translate raw data into insights across various</li></ul>
Greater resource management	<ul style="list-style-type: none"><li>Digital transformation can integrate applications, databases, and software into a central repository for business intelligence.</li></ul>
Data-driven customer insights	<ul style="list-style-type: none"><li>Better understanding your customer and their needs, you can create a business strategy that is even more customer-centric.</li><li>Using both structured data (personal customer information) and unstructured data, such as social media metrics, these insights can help drive business growth.</li></ul>
An overall better customer experience	<ul style="list-style-type: none"><li>Customer experience (CX) is the new battleground. Customers have gotten used to having endless choices, low prices, and fast delivery.</li></ul>
Encourages digital culture (with improved collaboration)	<ul style="list-style-type: none"><li>A digital culture will be crucial in the future. It forces the upskilling and digital learning of team members to take advantage of the benefits of digital transformation.</li><li>Organization need to provide team members with the right digital tools, tailored to their environment</li></ul>
Increased profits	<ul style="list-style-type: none"><li>Digital transformation improve efficiency and profitability.</li></ul>
Increased agility	<ul style="list-style-type: none"><li>Digital transformation makes organizations more agile, allowing for faster innovation and adaptation</li></ul>
Improved productivity	<ul style="list-style-type: none"><li>Having the right tech tools that work together can streamline workflow and improve productivity.</li></ul>

# A Comparison --- Operating Models

Some distinguishing feature between digital and non-digital business models

Non-Digital Operating Model		Digital Operating Model
In-person or by phone Typically, fixed hours of operation	<b>Customer Interaction (Sales &amp; Support)</b>	Online (and may still retain traditional approach) Likely to be open 24x7
Paper-based; Labor intensive; Lacks efficiency	<b>Operational Workflow</b>	Online or automated forms; Less labor intensive; More efficient
Potentially higher costs due to need to acquire or rent floor space for in person customer interaction;	<b>Capital Intensive / Overheads Costs</b>	Potentially lower costs due to less of a need to acquire or rent floor space; Less overhead due to incorporating firms such as Amazon and Shopify in their business model
Lack of efficient and effective data driven capability to enable business performance	<b>Finance Function</b>	High degree of focus on information systems, data governance, data analytics, data visualization  Note: These are 4 competencies of the Technology & Analytics domain of IMA Management Accountant Framework.



# Refresh – What's an Operating Model?

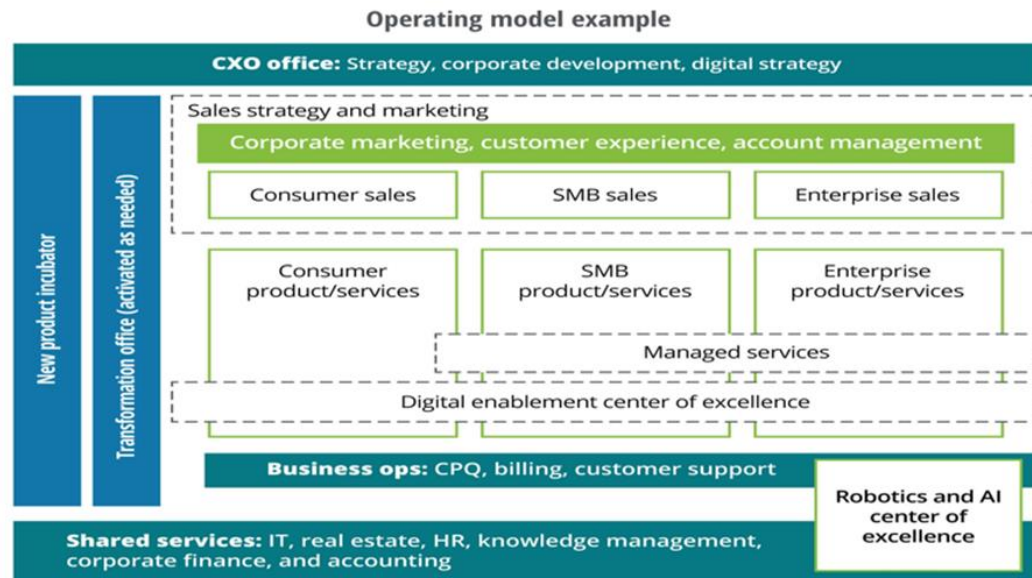
## Operating Model

Depicts or visualizes how an organization operates to deliver value to customers

Each box represents a unique set of capabilities aligned to the enterprise's strategy, with skilled leadership teams, tailored metrics, unique investment profiles, and tight coordination across the value chain.

FIGURE 2

### Example operating model



# The Operating Model is key to Digital Transformation

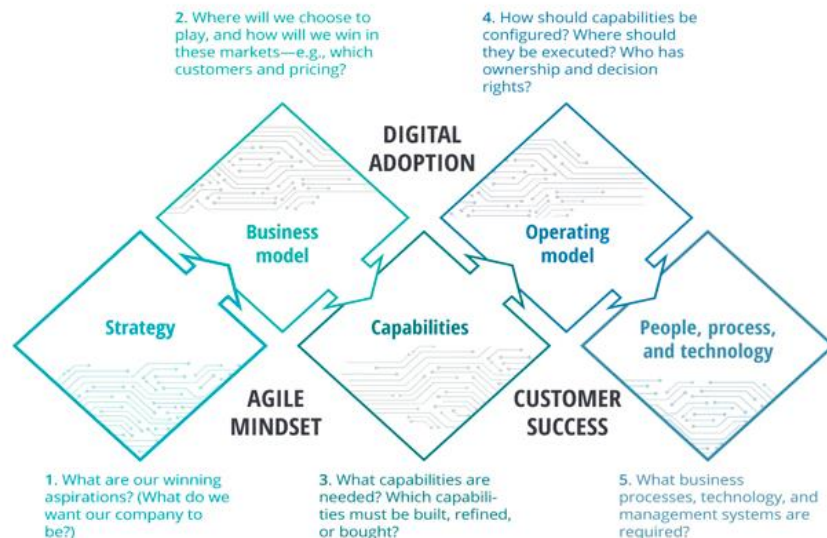
An organization's operating model...

1. must be inextricably linked to the corporate and business-unit strategy and varying business models.
2. is the anchor for the enterprise and is critical to the strategy's effectiveness and longevity.
3. is key to understanding how your organization maps onto the model is key to an effective digital transformation.

FIGURE 3

## Digital industrial transformation framework

Digital industrial transformation begins with strategy, which is carried through to redesigning talent, transforming processes, and retooling technology. Leaders screen each decision to confirm that it will contribute to agility, promote digital adoption, and deliver value to customers.



Source: Deloitte analysis.

# The Digital Operating Design

An organization's operating model must define the following:

What works need to be done. Define capabilities map needed that aligns with aspirations.

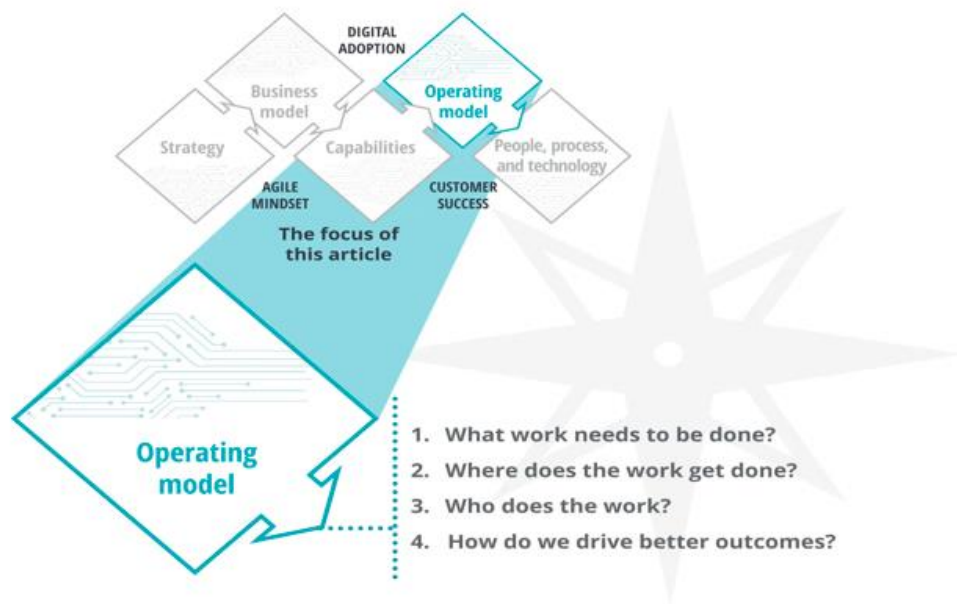
Where does the work get done. With capability map in place, need to source capabilities (develop, acquire, outsource, partner).

Who does the work. Allocating work to the most efficient parts of the organization

How do we drive better outcomes. Leading organizations augment their capabilities through simple cross-functional processes, hyper-focused incentives, and best-in-class tools to drive simplicity, clarity, and speed in execution.

FIGURE 4

## Operating model design



Source: Deloitte analysis.

# A Digital Operating Model – The future is here

Achieving business success (customer engagement, revenue growth, cost efficiency) requires a digital op model

PwC defines 6 leading digital operating model practices

1. Redefine what digital means to the enterprise.
2. Appoint a Chief Digital Officer or equivalent.
3. Focus on platform capabilities.
4. Invest in digital hubs.
5. Build and optimize agile delivery pods.
6. Prioritize talent recruitment and retention.

# A Digital Maturity Scale – A simple example

## Digital maturity assessment

Description (1/2)

	Level 1 - Basic	Level 2 - Medium	Level 3 - Good	Level 4 - World-class
Customer Experience	<ul style="list-style-type: none"> <li>• Only a single channel, which is often a physical store</li> <li>• React to customer needs</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple channels but often siloed, with the ecommerce department often seen as a separate entity</li> <li>• Start to proactively answer customer needs, and influence buying decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Actively transitioning from a multi channel to an omni-channel model</li> <li>• Proactively answer customer needs, and influence buying decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Omni-channel model where channels are integrated, allowing a seamless customer experience</li> <li>• Meet the needs of customers even before they become aware of those needs (with Internet of Things)</li> </ul>
Data & Insights	<ul style="list-style-type: none"> <li>• Barely no data</li> <li>• Barely no insight</li> </ul>	<ul style="list-style-type: none"> <li>• The company has some data</li> <li>• A team of people manually analyze and provide insight to the rest of the company</li> </ul>	<ul style="list-style-type: none"> <li>• The company has a Big Data solution gathering a lot of data</li> <li>• Automatic reporting with key insights</li> <li>• Almost a 360-degree view of the customer</li> </ul>	<ul style="list-style-type: none"> <li>• The company has a Big Data solution gathering a lot of data</li> <li>• Automatic reporting providing a lot of key insights in real time</li> <li>• A 360-degree view of the customer</li> </ul>
Strategy & Leadership	<ul style="list-style-type: none"> <li>• Barely no digital transformation strategy</li> <li>• Barely no plan to implement the digital strategy</li> <li>• Barely no investment</li> </ul>	<ul style="list-style-type: none"> <li>• A basic digital transformation strategy has been defined</li> <li>• A basic plan has been defined to implement the digital strategy</li> <li>• Small buy-in from the leadership team and small financial investment</li> </ul>	<ul style="list-style-type: none"> <li>• A robust digital transformation strategy has been defined</li> <li>• A robust plan has been defined to implement the digital strategy</li> <li>• High buy-in from the leadership team and high financial investment</li> </ul>	<ul style="list-style-type: none"> <li>• Same as level 3</li> <li>• A Chief Digital Officer is now part of the Executive Committee</li> <li>• The corporate strategy team and the Digital team work together to define the corporate strategy</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• Barely no new technologies are leveraged to better achieve the corporate strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Start to leverage new technologies to better achieve the corporate strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>• All the new technologies are either leveraged or considered to better achieve the corporate strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Same as level 3</li> <li>• A Chief Technology Officer is now part of the Executive Committee</li> <li>• The corporate strategy team and the Technology team work together to define the corporate strategy</li> </ul>
Operations	<ul style="list-style-type: none"> <li>• Barely no processes are automated</li> <li>• Do not support the continuum from full service to self-service</li> </ul>	<ul style="list-style-type: none"> <li>• Start to automate basic processes</li> <li>• Start to support the continuum from full service to self-service</li> </ul>	<ul style="list-style-type: none"> <li>• Many processes have been automated</li> <li>• Algorithms are extensively used to optimize processes automatically</li> <li>• Support the continuum from full service to self-service</li> </ul>	<ul style="list-style-type: none"> <li>• Most processes have been automated</li> <li>• Algorithms and machine learning are extensively used to optimize processes automatically</li> <li>• Support the continuum from full service to self-service</li> </ul>

## Poll Question 3:

How would you categorize your organization's digital maturity level?

- a. Low level of maturity; no plans to change
- b. Low level of maturity; Current plan to mature digitally
- c. Good progress toward having a fully digital business model
- d. Highly or advanced level of digital maturity

## Poll Question 3 Results: (Placeholder)

# IV. The implications of digitalization on finance and accounting practitioners



# Digitization and Technology are changes desired

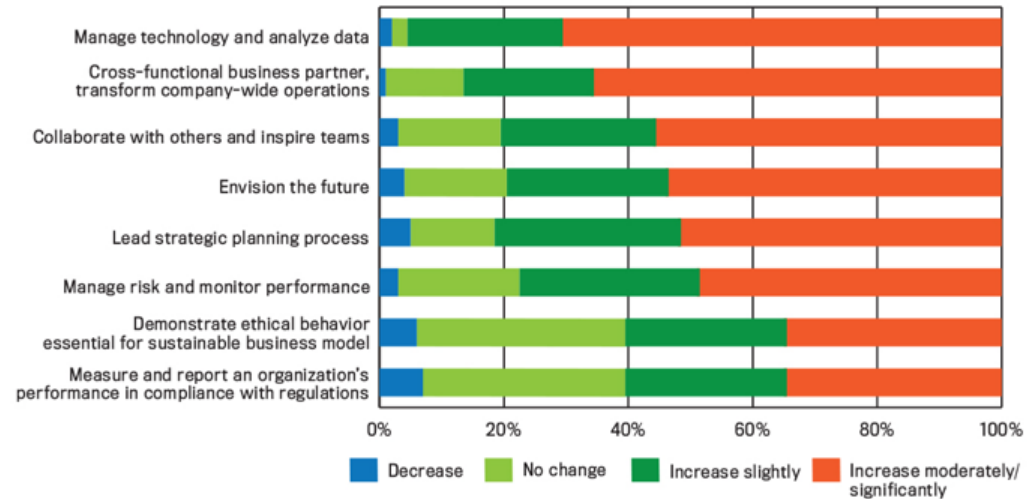
## Finance competencies

The ongoing digital transformation of the finance department may require new competencies for finance professionals.

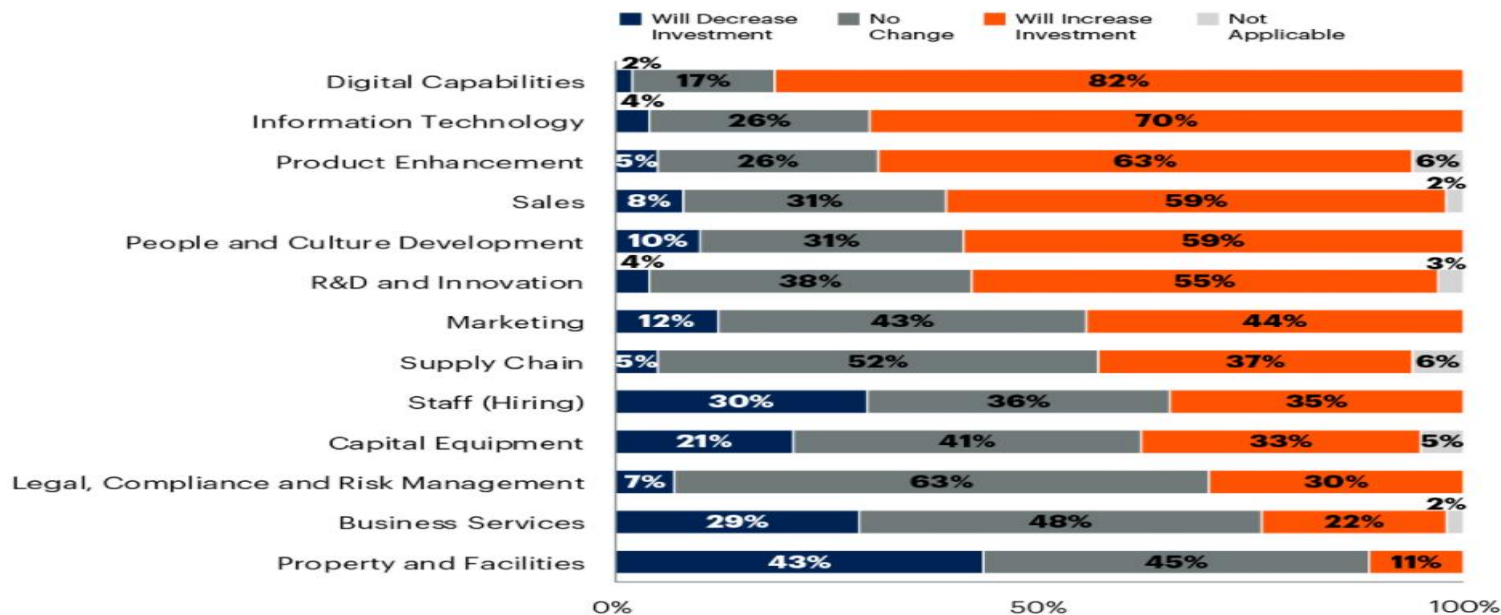
Digitization is creating the emergence of new value-adding roles and activities.

Based on the IMA® (Institute of Management Accountants) Management Accounting Competency Framework, we asked respondents whether they expect a change in finance professionals' competencies in the next three years

FIGURE 4: EXPECTED CHANGES IN FINANCE COMPETENCIES



# Gartner Survey - 82% of CFOs intend to increase investment in digital capabilities



n = 115, All CFO respondents

Q: Compared to fiscal year 2020, how will your organization's investments in the following business areas change in fiscal year 2021?

Source: 2021 Gartner CEO and Senior Business Executive Survey

# Gartner Survey - 82% of CFOs intend to increase investment in digital capabilities

## **What is driving the CFO response?**

- Covid-19 forced organization to digitize processes to support a remote workforce
- Technology is a competitive differentiator, allowing business separation from peers

## **CFOs are looking for digitization clarity?**

- The benefits of digitization are clear (efficiency, scale, etc.)
- However, what does a digitally mature business look like? How do they make investment decisions?
- CFO's need an integrated vision and business strategy to aid with how to invest capital, which will accelerate transformation

## **Gartner recommendations include:**

- Maintain a balanced technology investment portfolio; Include high value projects that are low effort)
- Select technologies based on finance's needs; Invest in projects that achieve Finance goals
- Involve cross-functional stakeholders early; Avoid conflicts with other departments or overlaps

# Gartner Survey - 82% of CFOs intend to increase investment in digital capabilities

Shift from value protection to value creation leveraging digital investments to attain goals

- Value protection - i.e., cost, efficiency, risk mgt
- Value creation - i.e., revenue and margin growth

CEOs expect a fast, sharp recovery and are already making moves (investments) to take advantage of potential growth. Digital maturity will enable growth

## CEO Priorities for CFO/Finance

Bulletproof your forecasting processes

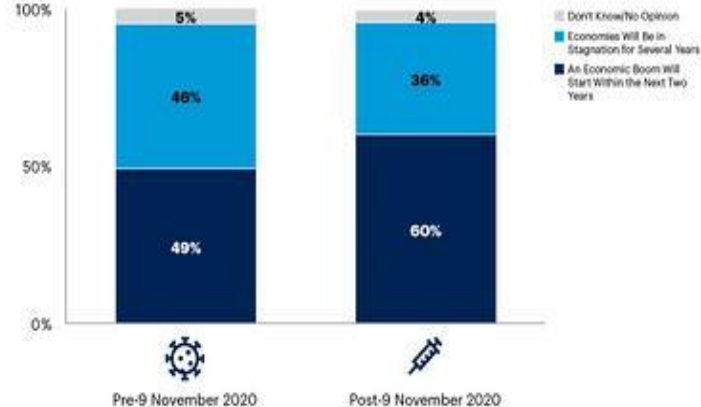
Adjust your M&A processes to the new environment.

Remove growth anchors and preserve growth ladders.

Focus on building scale, not scope, in the cost structure

Figure 1. CEOs' Economic Outlook Improved After the First COVID-19 Vaccine Was Announced

### Economic Recovery



n = 354, All Answering Respondents

Q: Please tell us which of two opposing viewpoints most closely represents your view — Economic Recovery

Source: 2021 Gartner CEO and Senior Business Executive Survey

TM0022\_C

# Digitization - Implication on the Finance & Accounting Profession

## Digital Transformation Enables Finance and Management Accounting

- Legacy Finance and Accounting activities have been hampered by poor data quality; Approaches to streamline information flow was often inefficient and ineffective. Throwing bodies at this issue never solved the underlying issues.
- The digitization of Finance has put many of these legacy roles at risk, but it also enables a wide range of new opportunities for technology savvy finance professional as we journey into the future. Finance professionals need to embrace digitization (and more broadly technology) to succeed over the next decade.
- Management accountants that can operate with a highly digitized business and support model are far more likely to achieve and maintain a competitive advantage. Technology is redefining the role of the management accountant while also significantly changing the business landscape and the management accounting profession at an unprecedented speed.
- To keep pace with the changing business environment and advances in technology, the Institute of Management Accounting (IMA) has analyzed the emerging competencies needed by management accountants and has updated the IMA Management Accounting Competency Framework in 2019.

# IMA MANAGEMENT ACCOUNTING COMPETENCY FRAMEWORK



## Strategy, Planning & Performance

The competencies required to envision the future, lead the strategic planning process, guide decisions, manage risk, and monitor performance.

## Reporting & Control

The competencies required to measure and report an organization's performance in compliance with relevant standards and regulations.

## Technology & Analytics

The competencies required to manage technology and analyze data to enhance organizational success.

## Business Acumen & Operations

The competencies required to contribute as a cross-functional business partner to transform company-wide operations.

## Leadership

The competencies required to collaborate with others and inspire teams to achieve organizational goals.

## Professional Ethics & Values

The competencies required to demonstrate the professional values, ethical behavior, and legal compliance essential to a sustainable business model.

# IMA MANAGEMENT ACCOUNTING COMPETENCY FRAMEWORK

This enhanced Framework identifies six domains of core knowledge, skills, and abilities that finance and accounting professionals need to remain relevant in the Digital Age and perform their current and future roles effectively.

One of these domains focuses on 'Technology and Analytics'. This domain focuses on building and maintaining knowledge, skills and abilities around four competencies required to manage technology and analyze data to enhance organizational success. These four competencies include:

Four 'Technology & Analytics' Competencies	Description
Information Systems	Use technology to effectively support operational and financial processes, solve problems, analyze data, and enhance business performance
Data Governance	Ensure the availability, utility, integrity, and security of data
Data Analytics	Extract, transform, and analyze data to gain insights, improve predictions, and support decision making
Data Visualization	Present data visually to better explain key patterns, trends, and correlations

# Finance needs to be prepared

Prepare	Actions for Finance to remain competitive in the digital age
<b>Drive digital strategy initiatives</b>	Get involved early in digital strategic initiatives, even if improving current operations appears key. Stay engaged and relevant for the future.
<b>Focus on value-adding technologies</b>	Embark upon technological initiatives that help increase the efficiency and/or effectiveness of finance, with a focus on those projects that are likely to create value. In addition, strike a balance between upgrading current legacy systems and implementing new technologies.
<b>Accelerate closing the skills gap</b>	Develop new skills and competencies (e.g., managing technologies and analyzing data, operating as a cross-functional business partner, and transforming organization-wide operations), yet don't lose sight of the "regular" finance and accounting skills.
<b>Manage the finance team:</b>	CFOs should focus on building a team of individuals who jointly have all the required skills and competencies, which may also mean that the current finance teams need to be rebalanced to implement new skills.
<b>Develop a data-driven decision culture:</b>	CFOs and senior finance professionals can promote a data-driven decision culture by challenging finance employees as well as the business on the basis of data and insights rather than opinions.



## Poll Question 4:

Which competencies below represent the 'Technology & Analytics' domain, which is part of the IMA Management Accounting Competency Framework? (please select all that apply)

- a. Information Systems & Data Governance
- b. Data Governance & Data Analytics
- c. Data Analytics & Information Systems
- d. Data Visualization & Data Governance
- e. All of the above

## Poll Question 4 Results: (Placeholder)

# The Management Accountant, a Top Digital Transformation Pro

- Disruptive technology is changing the expectations business leaders have from management accountants
  - **From:** Reporting short-term financials
  - **To:** Expansion of role that reports business performance holistically. In addition to budgeting, forecasting, performance management, and internal control, management accountants exert influence on decisions involving strategy, operations, and technology.
- Necessary capabilities that management accountants bring to their organizations
  - Analysis – Finding the Reasons *Why*
  - Planning – Building Informed Strategies
  - Leadership – From Planning to Execution

# Questions and Answers



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**Budget Director, IT Capital**

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# Thank You to Our Presenter!

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# Final Reminders

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- On your screen
- Evaluation Survey icon at the bottom of your console

## ► **Access to your CPE Certificate** – 2 options

- Click the “CPE” icon at the bottom of your console  
or
- Click the link in your post-event e-mail

► Please print a copy of the CPE certificate for your records.

► Your CPE credit will be automatically recorded in your transcript.

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