Chapter 11
Future-Proofing the Finance Function

ABSTRACT

The last task remaining for finance functions is to become 'future-ready' to deal with all kinds of changes in the environment. Such changes consist of threats caused by (worldwide) disruptors and megatrends or opportunities provided by (mainly) megatrends. Unfortunately, there is limited literature on making the finance function future-ready, which limits the ability of the finance function to prepare itself for the future. This is illustrated by the COVID pandemic of 2020, which has shown that many organizations and their finance functions were not ready for the havoc it caused, resulting in considerable negative consequences. In this chapter, the 14 most important megatrends and disruptors are described, and courses of actions that finance functions should apply, in order to adapt to these megatrends and disruptors in such a way that they can remain high-performing, are discussed.

> A future-ready finance function is an agile, integrated, and customer-led function that supports the organization in dealing with uncertainty and the challenges of a multi-faceted world (IFAC, 2018).

To help finance functions to prepare for the future, we extended a previous study we conducted into megatrends and disruptors (Linthorst & de Waal, 2020) to focus specifically on the finance function. Our goal was to identify how finance functions should adapt to megatrends and disruptors in such a way that they can become and remain high-performing. In the previous study, based on an extensive literature review, 14 megatrends and disruptors were identified that are expected to have the most influence on organizations over the next decade. In this chapter, we match these megatrends/disruptors with the characteristics of the HPFF to specifically identify their effects on this function.

11.1 MEGATRENDS AND DISRUPTORS

Megatrends are large social, economic, political, and technological changes that are slow to form and, once in place, exert an influence for a considerable amount of time (Naisbitt & Aburdene, 1990). Disruptors are defined as 'someone or something that prevents something, especially a system, process or event, from continuing as usual or as expected' (Cambridge Dictionary). The main differences between megatrends and disruptors are the speed with which they appear and the effects they have. Megatrends are changes that take place gradually over a longer period of time, whereas disruptors are short-term, seemingly unexpected changes with high impact. Our previous study yielded the following thirteen megatrends and one disruptor:

- *Megatrend 1: Speed of technological advancement*. Technological advancement is the collective term for the progress in the development of technological and digital tools, such as automation, big data, and advanced analytics, that increase productivity and provide better access to information and ideas. Organizations have been automating their work for decades, but it is specifically the increasing speed of change in the technological field that makes technological advancement so disruptive.
- *Megatrend 2: Flexible employment*. Flexible employment refers to an increasing variety in working arrangements and work practices, including variation in working time/hours, working locations, amount and types of work contracts, and forms of employment contract. It is expected that traditional nine-to-five jobs will increasingly be replaced by mobile and on-demand employment, and that due to mobile technology and the Internet, teams of employees will not need to work in the same location anymore. There will also be a rise in 'fluid' positions and jobs where people have multiple roles within one organization or work as independent contractors. A gig economy will emerge, which is a labor market in which temporary positions are common and organizations have contracts with independent workers for short-term engagements rather than long-term employment contracts.
- *Megatrend 3: Skills mismatch*. This refers to the expected gap between the skills of the existing/current workforce and the skills needed for jobs in the future. Learning new skills to adapt to the changing work environment is not a new phenomenon but, with the increasing speed of change, it is a challenge to prepare organizations, employees, and educational systems in time for these changes. In addition, it is becoming increasingly difficult to assess exactly what changes will occur and what new skills will consequently be required.
- *Megatrend 4: Sustainable employment*. Sustainable employment refers to the extent to which workers are willing and able to remain working now and in the future. It is about offering work and working conditions that keep workers happy, healthy, and motivated. There is rising interest and concern around sustainable employment among management because in many (Western) countries there will be an imminent shortage of workers because of the aging working population. This is coupled with a growing awareness of sustainability issues in general among the population (and thus among the organization's clients).
- *Megatrend 5: Continued globalization*. Globalization is the process by which businesses or other organizations develop international influence or start operating on an international scale. Alternatively, it can refer to the growing interaction and integration among people, companies, and governments worldwide. Although globalization is not new, it is increasingly being seen as a

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