Hed: Fear and Optimism in the Time of Digital Change

Subhead: Excerpts from the Webinar, Assessing Your Digital Readiness

Hello everybody, and welcome to the webinar, Assessing Your Personal Digital Readiness. In this webinar, we're going to talk about the AFP survey that we conducted in the third quarter of last year. We had more than 900 responses on that survey, so a really good cross section of finance, of treasury, and FP&A. About 40% of responses were from publicly traded companies, about 40% were privately held companies, and of those split evenly between private equity and private ownership. The remaining 20% were non-profits and government. The company size breaks down into three roughly equal groups, the large cap greater than $5 billion, small cap less than $500 million, and the next third were in the middle.

We have a great set of panelists here today. First, we have Chris Argent. Chris is a consultant working directly with CFO's, who want to build their teams data skills and capability, with a focus on transformation. Chris is without a doubt an evangelist to the finance community. His areas of passion include fintech, data visualization, machine learning, forecasting, and ultimately what he wants to bring the budget up to speed with all of these trends. He sits at the heart of a professional community around his website, his podcast, and his LinkedIn group called Generation CFO.

Next, Chris Ortega is Director of Finance for the Americas for Emarsys. He has experience in FP&A, corporate finance, financial management, and accounting. He has a big four background, as well as an entrepreneurial take on life. His skill set includes FP&A, business growth and expansion, developing and leading teams. Some of you may know Chris. He spoke at last year's FinNext on the topic of artificial intelligence, and the future impact on FP&A.

And we have Dawn Sieh who is responsible for leading the design and implementation of the finance capabilities at Verizon, focused on digital tools, technology, certifications, and leadership development strategies. Essentially, she's charged with building a strong pipeline of talent that Verizon needs going forward. She has a PhD in human and organizational systems. Some of you may know her also from past webinars and speaking at AFP 2016, on the topic of finance capabilities and talent development.

AFP: Who is in charge? Are you in charge, or is technology in charge?

Argent: I love this question. **We are in charge. The business is in charge, the finance function is in charge, you as an individual is in charge.** Our proximity to technology now, is getting smaller, smaller, and smaller, so it's about understanding everybody's role is within this digital data transformation, and it starts with you. We have to be answering business questions. We can't do that if we don't have access to the data. How do we get access to the data? Well through a data project, and decent technology.

To be honest with you, our people are starting with technology and sending to their IT teams, then they stop. One of my predictions actually on Generation CFO a couple of weeks ago, was that this **year finance is going to become a data champion because we are realizing the most to gain from controlling this space**. If we leave it to IT, we don't understand what we need, we certainly don't understand it for these conversations that we're having, we'll not understand the intricacies around our planning process, and the performance management conversations that you have, the growth conversations that you have, then frankly, it will fail.

But in order to be ready for this, you've gotta be super clear about what it is your role is, and what it is you're trying to get out of this. Yes, you're in charge, but you're not in charge of everything. You're leading it, you're a data champion, you're a domain expert in the data science world, but you're certainly partnering up with technology technologists to deliver it.

50% of the respondents said that they were concerned about becoming obsolete, if they can't keep up with the technology changes. Of course, that means 50% are not concerned. How do you interpret this kind of response?

<u>Ortega:</u> I think what we're entering as accounting, finance, and FP&A professionals is a transformative practice that technology has had inside of our business. Look, a**rtificial intelligence, technology, and digital readiness is meant for accounting and finance team to move us away from low value activity, to really put us in the high value activity.** Speaking to this ambivalence, I would ask, "What are those skills and what are those opportunities inside your organization where you can leverage the efficiency that accounting and finance teams traditionally bring to the business, and couple that with the insights?" The fear is justified. Some things will be going away, but the things that are going away, are the lower value add. The opportunity here, is to focus on the higher value add.

My challenge to everybody on this call, whether you're a leader, individual contributor, or whatever, is to **ask your senior leadership team, your board what value does the accounting and finance team provide to your organization.** This will provide a baseline of where you stand in your organization. If they say, "Hey, you guys make sure I have the budget, then make sure I have my expense report done." Okay, that's one thing. But if you have a senior leadership team, or a board of directors, or a CEO, or a team that says, "Hey, when this comes down to a business decision that impacts the financials, both quantitative and qualitative aspects of our business, I want to make sure my finance partner is there, you reach holy grail of FP&A. You've reached holy grail of value integration inside of an organization.

How does Verizon look at the people on both sides of the concerned scared, and the optimistic divide?

<u>Sieh:</u> As individuals in human behavior, we tend to get comfortable with the things that we do on a daily basis. So when things are about to change, there are fears and concerns as to, what does that mean to me? How does that impact and affect my job?

Within Verizon, we've taken opportunities to try to educate and communicate. Communication is so important from the top down, and consistent messaging throughout. We've taken opportunities to design and develop training to educate employees on examples of use cases that we use within our

business today, of how we're applying process changes, process improvements, and how we work with technology hand in hand, as a partnership with technology, versus technology replacing the individual.

64% of respondents said they were either excellent or above average in their data literacy. Do you believe this?

Sieh: Well, I think the individuals that answered that survey, and believe that they are ready, that's great. But **technology is continuously changing and evolving. It's so fast and dynamic we don't always know what we don't know. We don't know what's on the horizon. We're not aware of what our competitors are doing, what are other best practices, what are new cutting-edge technologies that are occurring?**

Argent: When I engage with people in finance, usually there is a 95% acknowledgement that there is a massive scale's gap within finance. That doesn't quite tally with what we're seeing here. If people moved onto power pivot or bought the tool that takes them into the cloud, then they may have answered this question positively. But if they compared that to artificial intelligence, and machine learning, and the art of the possible, and data science, then I would expect them to answer that differently.

People aren't optimistic or fearful. You know I work in change management, and there's a big lumpy change curve that people follow, and they jump all over it sometimes. So, you know it's a bit misleading to take a snapshot like this, because some people may have felt that they've had a good day with their Excel spreadsheet. The next day they may be talking about machine learning, which is delivering a forecast to them in minutes, when it's taken them three weeks to do a sort of market research forecast.

What would you say to somebody, perhaps at Emarsys in your own organization, about moving them from the fearful to the optimistic?

Ortega: I think a lot of the fear that people have, and a lot of the fear that I've come across, is less about adopting the technology, or implementing the process, or challenging the way we've done business. It's absolutely 100% the change.

But here's the opportunity: What other organization is going to be tasked with being able to have the understanding and the business acumen in of the CFO? What other organization is going to have the understanding an operation, building the partnerships inside the business, having the analysis and the knowledge to know every business decision has a financial output? The accounting and finance teams. traditionally FP&A has meant financial planning and analysis. That's the stage one of FP&A. Where I think organizations and where the next evolution is... It's going to be financial partnership and advising. That's stage two of FP&A.

What specific things can you say to help people to pursue their own digital readiness?

Sieh: I'm passionate about lifelong learning, and I encourage individuals to talk to their coworkers, talk to their people leaders. First, **what is your passion?** Where are you really excited about what you come to work and do every day? **It's okay not to have a long term plan but start to think about what your**

short-term plan might be. And by talking to others, learning what they're doing, and how they're applying it, that helps you start to think about what you might create for yourself.

Now training helps build the building blocks for you to get started, which is great. But really where you're ultimately going to build your knowledge, is through on the job activities. As you think about what you're passionate about, this is an opportunity for you to have those conversations, because other coworkers may not know what you're interested in, and what you're doing, or what you would like to be doing. Through those conversations, you may find those types of projects to get engaged in, and to learn what others are doing. And it really helps you build your skills by learning from others.

Argent: I think one of the things that is always going to be a challenge at an individual level, is finding time. It's all in good saying that bringing these technologies, enabling these technologies are going to save us time. But how do you get over the lump of the initial investment to then realize that time back?

One area I would call out, **data visualization as a fairly easy thing to learn, that one highly useful. Another area is data science, from a conceptual level. W**hat's the art of the possible? We're not talking about learning, machine learning, and going back to university, and doing some programming or mathematics. And a third, put your hand up to be a data champion, to try and partner with somebody in the business. Go and run a practical project, and learn that way

Ortega: Reading as much as you can. But I think there's no better knowledge, and there's no better skillset then actually learning it inside of your business. So, build out those MVP's, build out. Get the alignment with your organization, to begin wielding some of these digital readiness strategies, because there's no better learning experience that you have, than just actually implementing it yourself.

Audience question: The recommendation is to move from low value to high value activities. However, machines are getting better at those high value activities, and in some cases the recommendations are better than human recommendations, because they are unbiased and process a lot more data. Is it a matter of time before the robots come, and do more of the high value tasks?"

Ortega: We are not venturing into terminator situations. We're not going to get to a point where, computers are making decisions, and they're going to be terminators. There's never going to be a point to where machine learning is going to be able to do a strategic forecast on a five-year plan, taking in all different insights in the business, taking in all the knowledge from people and employees from their both company experience inside the organization, as well as the history. . But if we're able to incorporate the human element at the right moment, and take that decision, and continue to retool and learn, and have our teams be learning teams, versus spitting out results teams, that's holy grail.

Argent: algorithms themselves aren't biased or unbiased. It's the data that's biased. If you put in a biased data set into an amazing algorithm, it's going to spit out something that's biased. And that's the position that we're in at the moment. You know, you've only got a biased robot, or biased machine learning, and it will come up with lots of different things. Also in the construction of that algorithm, you can over fit. It's a little bit technical, but again it creates bias within the algorithm. Yes, they're fantastic, and yes, they save us an awful lot of time, and yes, they process lots of data, but we still have a role to play as a human to validate it.

Audience question: There are a lot of resources for data science online. Do you recommend any online courses around financial data science?

Sieh: There is a freeware site called edX, E-D-X .org, and there are free trainings out there, that are online modules. Some of them, you can take all of the modules, and then if you want to pay to get a certificate you can do so. They're with accredited universities. And it's a great place to just start to get yourself familiar with terminology, like RPA, robotics, automation, cognitive computing, natural language processing, and so forth. That's a great resource. It's a freeware, out on the internet that you can utilize. Within Verizon, we use Pluralsight, and some other vendors that we have partnerships with, for different technical trainings, but they're very similar to edX.

Argent: Find a person, that's what I would say. If you want this learning to stay, go and find a data scientist, or go and find someone who knows a bit more about this than you do, and try to run a data project with them. I think that's the best way of learning, making it stick. Because with the terminologies, the methods, the practice, and your role in it, will come out of that engagement. So, go find a technologist to hug.

Ortega: Yeah for me, one resource that I leverage a lot is kind of like edX. It's called Coursera. They provide kind of the same framework as edX. Also, the AFP. The AFP they produce so much great content, eBooks, and information on this. I get a lot of great content from them as well, so I think you just leverage those. Those would be my two.