



The Finance Transformation Playbook

Building Readiness for the Future



Evolving from Numbers to Insights

The finance function is undergoing a fundamental identity shift.

Yesterday, the finance people were the “numbers people.” But disruption has challenged business as usual. Finance teams must now turn vast amounts of data into insights and actions that boost profitability, competitive advantage and agility—an imperative in our rapidly changing world.

Traditional finance departments aren't set up to do this.

Future-proofing your business requires wholesale finance transformation: rethinking your people, processes and systems to capitalize on emerging technology and galvanize your finance function as a strategic driver of business.

WHY NOW? ¹

1200s

Double-entry bookkeeping.

1800s

Mechanical adding machines.

1900s

Punch cards and paper ledgers.

1964

Desktop computers.

1970s

Low-cost accounting software and spreadsheets for financial modeling

1980s-90s

Widespread adoption of personal computers and internet connectivity.

2000s-10s

Accounting software moves to the cloud, exponentially increasing our ability to mobilize data.

2010s

The field of data science explodes while the finance function remains largely unchanged.

TODAY

Data is abundant, computing capacity is affordable, and disruption is swift and global. The finance function must transform to harness it all into profitable action.

¹ [The Evolution of Finance Function](#)



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01

Unpacking Finance Transformation

Recent technological advancements coupled with geopolitical, environmental and socioeconomic disruption have formed a perfect storm, rendering finance transformation both a necessity and opportunity for businesses to survive and thrive.

In the Paro 2023 Future of Finance Survey, we asked senior business leaders in finance and accounting

about their readiness for the future. From an overwhelming embrace of AI and machine learning to data and analytics challenges, their experiences reflect those of many businesses in today's environment.

To understand what it means to embrace the future of finance, first understand what's impacting the finance function.

SOURCE OF CHANGE

IMPACT ON THE FINANCE FUNCTION

Tech innovation

- Automation frees up finance professionals from mundane, repetitive tasks to focus on strategy.
- Advancements in data-sharing, ERPs and reporting expand the finance team's purview cross-enterprise.
- Predictive modeling and analytics improve forecasting and making on resource allocation, pricing, M&As, etc.
- Technology increases the need for AI "trainers" and data scientists.
- Slew of new platforms, tools and services lead to difficulty prioritizing investments.

Data proliferation

- Pressure to achieve ROI from data investments by generating real-time insights.
- Data-sharing across the value chain offers more visibility into partner, vendor and competitor activities.
- Increased risk due to data loss and security issues.
- Compounding inefficiencies in data storage, access and sharing.



Global disruption

- Rising demand for always-on, agile reporting and planning.
- Obsolescence of traditional reporting cycles and tools.
- CFO emerging as a strategic influence on the C-suite.

Remote work & the freelance economy

- Fractional talent models offer flexibility in hiring.
- Difficulty attracting and retaining full-time talent as new workforce preferences and models emerge.

Expanding business ecosystems

- Nontraditional players are partnering and diversifying into legacy markets.
- New business models are enabled by innovation.

Transformation takes a village.

While the strategic imperatives apply broadly across the enterprise, the **specific tasks of finance transformation look different for everyone** at the line-of-business level.

Leadership & Strategy: **The CFO**

- 01** Drive finance transformation and change management through data strategies, digital talent, cross-enterprise communication and flexible talent structures.
- 02** Oversee technology audits and investments to enable transformation.

Tech Infrastructure: **IT**

- 01** Develop cross-departmental communication and collaborate on AI use cases and business requirements.
- 02** Implement self-service analytics tools and optimize data infrastructure.

Financial Planning: **The Analyst**

- 01** Upskill in data science, machine learning and strategic storytelling to extract insights from data.
- 02** Visualize data and identify AI use cases to guide strategy and facilitate discussion.

Transaction Processing: **Accounting, Bookkeeping, Tax & Compliance**

- 01** Support automation opportunities to reduce redundancy and accelerate cloud migration.
- 02** Manage data risk and governance, especially in use with AI models.



Build Your Finance Transformation Roadmap

↓ SWOT Discussion Aid

Not sure where to begin? Think about your company's core values, strategic vision and industry. Then, use this SWOT framework to visualize how your finance function needs to change to achieve your goals.

STRENGTHS

Capabilities that give you a competitive edge today.

- Change readiness
- Tech savviness
- Analytics
- Operational agility
- _____
- _____
- _____
- _____
- _____

WEAKNESSES

Gaps or bottlenecks inhibiting your transformation.

- Siloed data
- Lack of business insights
- Manual processes
- _____
- _____
- _____
- Talent gaps
- _____
- _____
- High-cost areas
- _____
- _____
- _____
- _____
- _____

OPPORTUNITIES

Emerging trends you stand to benefit from.

- Automation
- _____
- _____
- _____
- AI
- _____
- _____
- Fractional workforce models
- Changing customer preferences
- _____
- _____
- _____
- _____
- _____
- _____

THREATS

What will happen if you don't take any action?

- Data risks
- Talent gaps
- Loss of strategic influence
- Regulation and compliance
- Industry or market volatility
- Vulnerable operational locations
- _____
- _____
- _____
- _____
- _____



02

The Dual Role of AI Applications in Finance

AI is arguably the most significant disruptor in finance, both as a tool for automation and as a strategic partner. Your SWOT analysis should include at least one or two areas of opportunity for AI and accounting automation within your business.

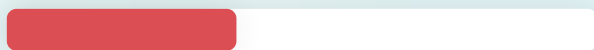
And many businesses likely agree.

Of executives and senior managers surveyed:



↑ **83%**

believe that adopting AI and machine learning tools is important.



↓ **42%**

have not adopted the technology.

Though businesses believe in the power of AI, they're still hesitant to adopt it. One of the top concerns they report—just under data security—is the loss of human judgment or oversight. This oversight is key to the successful implementation of AI models, and it starts with understanding the technology's strengths and weaknesses.

The wide range of AI applications in finance fall under **two primary uses**:

As a tool

→ to improve efficiency and workflows

- Aggregate, process & visualize large data sets
- Automate workflows like AR/AP or transaction categorization
- Automate fraud detection and compliance monitoring
- Help design polished presentations and documents

As a strategic guide

→ to identify complex patterns and generate complex analysis

- Analyze internal and external data to forecast trends and opportunities
- Conduct scenario planning to model decisions without wasting resources
- Uncover growth drivers and identify opportunities for new services, customer segments, etc.

→ **IN-DEPTH READING:** [The Do's and Don'ts of AI Forecasting](#)



AI & the Art of “Why”

Roughly **one third of executives** feel that AI tools lack transparency. To combat the black box problem, professionals must learn the [basics of AI models](#) and be ready to challenge model outputs with domain expertise and intuition.

The benefits of AI applications in finance are undeniable, but so is the importance of human oversight. Knowing exactly why AI is your solution and being able to discern when a “wait-and-see” approach would work better is a critical part of planning your finance transformation.

“With Paro’s AI model, we did some high-level sanity checks and got to work building constraints into it. When we asked it to optimize growth, it recommended we hire 60 sales reps by the end of the month, which was unrealistic. Adding constraints helped us build confidence that what it was recommending was within reach.”

DAN WYWROT
former Paro VP of Finance

Humans must inject nuance.

Imagine a cosmetics manufacturer with a deep supply chain wants to add an AI assistant to automate the process. However, the assistant doesn’t take into account specific supplier details, such as payment terms. If your AI can’t handle the essential nuances of your business or industry yet, you’re not going to get the ROI you want.

The tools are not autonomous —at least, not yet.

Can you trust AI? Garbage in equals garbage out, but **even good data isn’t a sure bet to accurately address your challenges**. You need accounting and finance domain experts to participate in your AI model’s learning— monitoring, challenging and asking questions like:

- Are the AI’s data sources reliable and unbiased?
- What are the biggest influencers behind the AI’s recommendation?
- Do the AI’s forecasts align with reality when compared against non-training data?

If the AI is making unrealistic recommendations, what kind of constraints can you program into it to make its output more useful? What proof points can you build in to track and evaluate your results?



3 Steps to Build a Business Case for AI in Finance

01

Address a specific problem or pain point rather than shopping for features first.

Start small and take incremental steps.

02

Don't rush if the AI isn't ready to handle the specific nuances in your business base.

03

Consider whether you should buy or build.

It may make more sense to buy certain capabilities first and build just a small portion internally.

AI in Action

For companies venturing into AI, **start by talking to your stakeholders and look for processes** that require speed and repetition at scale.

1 Problem, 2 AI Solutions

Problem:

How can AI free up your senior accountant's time?

Line of questioning:

What are her most consistent pain points and drivers of time?

- Combing through large documents for errors & anomalies
- Chasing people down for expense reports and invoices

Possible solutions:

→ **Executorial:** The AI model looks for anomalies in spend and surfaces them to her attention, rather than making her manually probe the data for patterns.

→ **Strategic:** The AI model predicts when and why she has to track people down for their expense reports so you can solve those issues before they happen.



03

Building a Strategic Finance Function

With streamlined processes and AI-driven insights, your finance team members are poised to become strategic partners for the organization. In fact, finance functions are moving heavily in the direction of strategic finance.

In fact, finance functions are moving heavily in the direction of strategic finance.



↑ **61%**

are already partnering cross-functionally beyond transactional support.

What Is Strategic Finance?

Strategic finance is the art of gathering your company's operational and financial data, as well as external data, and turning it into real-time insights for decision-making.

It's table stakes for such agility-boosting practices as:



Rolling forecasts



Scenario modeling



Predictive analytics



[Flexible budgeting](#)

Thus, it helps businesses stick to strategic objectives, unlock growth and allocate resources more effectively, even in periods of disruption.

Currently, **more than half** of companies are using AI for long-term planning, and **67% of executives** report using AI and machine learning for predictive analytics and forecasting.



The Expanding Scope—and Imperative—of the Finance Function

Strategic finance is both a cultural and operational departure from traditional three-statement financial reporting, which is retrospective and myopic in scope by comparison.

Because strategic finance depends on cross-functional data input, your finance **function must transform around three key dimensions:**

- 01** Become more collaborative across the business, interfacing regularly with different departments and leadership.
- 02** Develop a capacity for data aggregation and sharing.
- 03** Develop a capacity for data aggregation and sharing.

Enabling Technologies

AI, automation and cloud software have a combinatorial effect on the three dimensions of strategic finance transformation:



COLLABORATION

By consolidating data, standardizing it and removing silos, cloud and AI automation tools allow people of varied roles and abilities to quickly visualize, share and customize data.



CAPACITY

Cloud, natural language processing (NLP) and automated tools are phasing out old spreadsheet models, automating tasks like document processing at scale.



ANALYSIS

AI and automation can instantly parse huge volumes of real-time data from countless sources—pinpointing growth drivers and outliers to automatically render insights.

Strategic Finance In Action: Next Steps

01 Assess your level of data analytics maturity.

There are [four stages of analytics maturity](#). Are you stuck at diagnostics or looking forward?

- Descriptive** - Your team mines and groups data points to articulate the state of your business or a certain aspect of it.
- Diagnostic** - Your team scrutinizes data patterns and cross-checks data streams to understand why a particular outcome occurred.
- Predictive** - You use tools that combine historical data with trends to predict likely outcomes, possibly using [AI and machine learning to forecast](#) with large data sets.
- Prescriptive** - You use AI and machine learning to weigh all scenarios and provide data-driven recommendations around what to do next.

02 Make data fluency and analysis a core competency.

To effectively amass, process, share and analyze data for strategic finance transformation, everyone needs to be on the same playing field, working with the same tools and the same set of data. For that, you need to:

- Build an architecture that standardizes and integrates data into a single source of truth.
- Augment your team with skills in data science and FP&A skills and software.
- Reinvent the CFO role as a cross-functional partner, working with IT and leadership to usher insights around the organization.

03 Map your processes to identify inefficiencies, omissions and inaccuracies.

“The biggest data issue finance teams face is a lack of granular, accurate data when they need it to make a decision,” says Chase D., Paro FP&A expert. “Most of the time, it’s because there are no standard operating procedures for the people responsible for data input.”

- Identify time-consuming activities and their points of friction, thinking about how automation or AI can help.
- See where data is often unreliable or incomplete.
- Find out what prevents people from getting clean data into those fields and tables in a timely manner.
- Identify your data owners, end-users and stakeholders and establish SOPs around their roles and data decision making.

04 Help non-finance teams use and understand the data.

Keep an open channel of communication between operations and finance, so that teams can understand the financial impacts of their work.

- Align on shared, measurable KPIs and assist in developing targeted KPI dashboards.
- Share forecasts, cost and cash flow reports to managers.
- Establish regular cross-functional meetings and project teams to share data.
- Provide resources for operational teams to develop their financial literacy.



04

The Changing Faces of Finance Transformation

In order to become a strategic finance function, each role will need to evolve in order to facilitate financial transformation. A focus on forward-looking skills rather than traditional titles will be the name of the game when recruiting new talent or assessing current talent.

“We will see more and more CFOs have data organizations underneath them as direct reports.”

CHASE D.

Paro FP&A expert

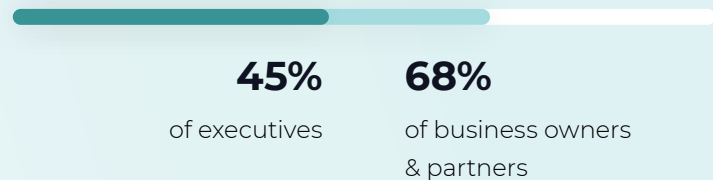
Businesses that have adopted AI are more likely to desire a future-forward leader. By contrast, **62% of businesses that don't incorporate AI into their strategic planning** are still prioritizing skills in accounting, controls and compliance—a traditional approach that leaves little bandwidth for strategic partnership.

The CFO: Visionary Architect

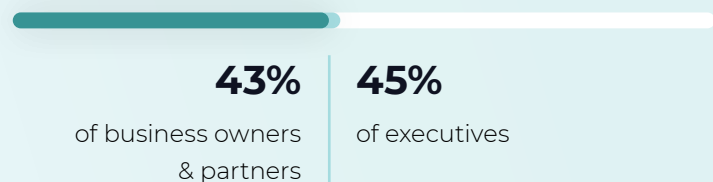
The CFO will no longer be a cost gatekeeper to innovation, but a true driver of it. Finance leadership will need to build cross-functional relationships and bring in the right expertise to champion technology, like AI, and maximize use of company data.

The Top Competitive Skills for CFOs¹

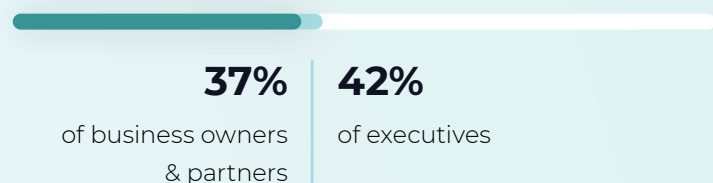
→ Strategic, future-forward mindset



→ Understanding of the broader business



→ Grasp of technologies & analytics



FP&A: Insightful Storyteller

No longer a siloed function, FP&A will take reporting, budgeting and data analysis beyond the finance function in collaboration with other departments. Data credibility and analytics will be paramount. The analyst will help to establish credibility across the business, making data usable, accessible and actionable for the teams that rely on it.

Prioritize Analytical Skill Gaps

Senior leaders are in need of data and technical champions. A lack of trust in their data and an inability to turn data into insights are the top challenges for businesses—an indication of poor governance and analytical skills. They report the following as the **most lacking skills** within their teams:

→ **Advanced analytics**



53%

→ **Data governance**



38%

→ **Proficiency in technology and software**



38%

Accountant/Controller: Automation Orchestrator

Accountants will not be replaced by digital transformation, but they will become the arbiters of these tools, providing domain expertise for AI model learning, preparing data and offering more strategic bandwidth.

Using AI and automation, accountants and controllers will incorporate greater risk management controls into processes, ensuring accuracy and compliance across the function. Exception-based management will be a key skill as automation replaces many standard, repetitive tasks.



Bookkeeping & Tax: Proactive Strategist

Bookkeeping has traditionally been a transactional role, but the future will require these professionals to assist in data quality and even project management during periods of system transformation.

These roles will become savings scouts, focusing on aligning tax approach with business strategy and uncovering new opportunities through data insights.

Next Steps for Your Finance Function

01

Ignite a cultural shift to data-driven, digital transformation.

- Think about how you can help each role answer the question, "What's in it for me?"
- Build cross-functional teams to help develop intelligent solutions as a collective.
- Remember that ethical integrity and nurturing relationships are evergreen priorities that can't be relegated to a tool.

02

Start thinking about change management.

- Solidify your strategic priorities and KPIs for your transformation.
- Identify who the drivers of change will be within your organization.
- Assess your talent pool. Consider your options for bringing your talent base up to speed, including outsourcing or reskilling.

03

Continue your own journey of independent learning.

Read our related resources in the [Paro Future of Finance Hub](#).



05

Upskilling & Reskilling in the Age of AI

In Chapter 4, we examined how roles in the finance function will change, with some players acquiring very new skill sets while others develop soft skills in cross-functional communication. How do you get from here to there?

While upskilling and reskilling might seem like an uphill battle, most people are likely to welcome a chance to grow. According to LinkedIn, [people cite “opportunities to learn and grow” as the #1 factor that defines an exceptional work environment.](#)



A Quickstart Guide to Upskilling & Reskilling

The range of change: **upskilling vs. reskilling**

The majority of finance transformation endeavors require upskilling, or expanding skill sets to satisfy the changing nature of an existing role, as in the case of a CFO who must learn data literacy. But some people may need to reskill to entirely new roles and capabilities.

Step by Step:

- Identify the KPIs and capabilities you need to meet strategic vision, then define the skill sets (or potential new roles) that support those capabilities.
- Take an inventory of your employees' existing skills using any combination of questionnaires, peer evaluations, exit interviews or industry benchmarks.
- Compare your existing skills to your needed skills and roles and identify the gaps.
- Design customized learning and development (L&D) plans, whether online courses and seminars or training from fractional consultants.
- Determine measurement and incentives.

The CFO Role in Change Management

Communicate the vision

Lead with the why. Convey the [logical and emotional value](#) of change. This is how employees can grow with the company and align their day-to-day work with the strategic vision. Be transparent: illuminate a clear career path for people, and if one isn't outlined yet, say so.

Collaborate on the plan

Reskilling in the age of AI comes with a stigma. People may view skill assessments as threats to their job security. They may resent upskilling as added responsibility that isn't reflected in their salaries. Managers may fear losing talent to new roles.

Find ways to give people control over their futures. Invite them to shape their training and incentives.

Cultivate the environment

Ignite an L&D initiative and keep a regular cadence of updates from high-level leaders. Recognize change champions and address forces of resistance. Monitor and telegraph progress across the organization.

It's important to think about L&D and hiring in tandem, because new or fractional experts you bring on will be instrumental in training up your talent pool. Across the board, you'll need to update job descriptions to include digital skills, making sure subject matter experts have a hand in writing the descriptions.

In terms of outsourcing, you'll likely want to recruit experts in areas like analytics and data science. The question is to what degree: full-time, part-time or fractional?



06

The Power of Finance & Accounting Outsourcing

The most cost-effective way for businesses to get immediate value—and avoid delaying crucial digital change—is by outsourcing talent.

Within days, you can start adding value with a curated, top-tier expert to fill your deficits, carve out costs and boost ROI without overtaxing your staff.

"Paro's CFO Services went above and beyond, exceeding what we expected and positioning us incredibly well for the next steps that now need to be taken."

JONAH T.
Paro Client

Inject value and ignite change early.

A fractional expert provides:

- Capacity when you don't have the bandwidth to train up for transformation.
- Technological, financial and operational know-how to fill a lack of intellectual capital in-house.
- A high-quality pedigree and fresh perspective.
- Insider knowledge on industry trends and varied experience from a range of clientele.
- High-demand and niche skills that long-time full-timers don't have the opportunity to acquire.
- Discerning expertise based on capabilities and skills versus titles from a boundaryless talent pool.
- Less upfront risk than hiring full-time talent as you trial new skills, roles and responsibilities.

→ **IN-DEPTH READING:** [5 Ways a Virtual CFO Adds Value](#)



Fractional Talent in Action

On-demand talent provides gains that are both **immediate** and **long-term** in your finance transformation.

When telecom program management firm [inRange Solutions](#) needed stronger financial systems and analysis to support rapid growth, Paro matched the company with a veteran CFO seasoned in increasing efficiency, revenue and enterprise value.

IMMEDIATE GAINS



20 years of experience leading early-stage and middle market companies



New operational policies and procedures



A suite of analytical tools and modeling packages for each department

SHORT-TERM-GAINS



Replacing spreadsheets with reporting, forecasting, budgeting and accounting tools



A dashboard with projections and variance analysis for ongoing visibility and decision making



ROI via productivity gains and 60% more time for the CEO to work on strategy

LONG-TERM GAINS



Reduced expenses that boosted margins, with a goal of doubling revenue



\$0.5M in savings as a result of revamping company tax positioning



Identified need to hire financial modeling expertise for speed to delivery

Next Steps

01

Evaluate your back-office performance for low-hanging fruit.

Choose a few [back-office KPIs](#), like your function's accuracy rate, turnaround times or utilization rate. Identify where you can optimize with fractional talent.

Pinpoint any roles that are underutilized or underperforming, and identify people who might be stretched too thin, thus limiting productivity. These areas are ripe for improvement with fractional talent and also serve as good conversation starters for financial transformation.

→ **FLOWCHART:**
[How Utilization Determines Hiring](#)

02

Understand what the finance and accounting outsourcing process looks like.

- Meet with a Paro Solutions Consultant to assess your business goals and challenges.
- Get matched with an expert based on the exact industry, experience and skills you need—in as little as 24 hours.
- Receive support through onboarding and kickoff to establish short and long-term expectations.
- Assess your future business goals and build your roadmap using our data-driven recommendations and guiding insights.

The Engine of Every Organization

Enterprise transformation starts with the finance function, the driving force of every business.

Transformation in any other way would be “cart before the horse.”

But the traditional three-statement approach now fails to capture the bigger picture, a picture that can change any moment in an era defined by disruption and emerging technologies.

Before, businesses sought truth in numbers. Now, we find it in data, insights, projections and models. The cost of finance transformation pales in comparison to the cost of stagnation, and it falls on CFOs to rise to the occasion.

To learn more about how fractional talent can assist in your finance transformation, visit [Paro.ai](#).



About the 2023 Future of Finance Survey

The 2023 Paro Future of Finance survey used online interviews conducted among members of the Vitreous World panel, with respondents representing US-based C-Suite executives or senior management in Accounting or Finance; the resulting sample was statistically representative.