

NAVIGATING A DISRUPTED WORLD



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It would have been almost impossible for anyone to have predicted how fast the world has changed in the past two years. We have grappled with many unimagined circumstances, from a global pandemic to now a war in Ukraine.

All these factors have combined to create greater economic pressures beyond most of our experiences. However, there are things we can do in the face of this crisis: times such as these demand both empathy as well as action. One area where we can sharpen our focus is business risk. I want to highlight key risk areas finance leaders need to consider now.

PEOPLE

For some businesses, this is the top risk. The need for a strong and healthy workplace culture is crucial. Learning the lessons from how your business dealt with the talent management challenges of the pandemic can help. Collaboration and trust are also fundamental to building a performance culture, described in our report "Reimagining Performance Management". What is more, the current crisis—like that of 2020 and 2021—demands us on a personal level to be empathetic.

Finance teams that rode the waves of pandemic uncertainty, now face new anxiety and uncertainty. For leaders operating across all parts of the world, now is the time to improve communication with teams and continue building genuine personal connections with staff to keep them engaged and productive. These two areas are just examples where leaders can make a real difference by using their non-technical skills:

- Practice listening. Listening is one of the most effective ways of showing empathy to members of your team.

- Bond your team. Team bonding is essential for morale, culture building, and effective collaboration. Reminding your team why their work is valuable has always been important. In the remote environment, more so.

CYBERSECURITY

In the first half of 2021 cyber attacks increased year on year by 125 percent, Accenture found. Linked to Russia's invasion of Ukraine we have seen the number of threats amplify—the need for cyber-resilience has never been stronger. AICPA & CIMA have resources that can help prepare your organization. They include the "CGMA cybersecurity tool" and a series of short "Cybersecurity in 45 Seconds" YouTube videos.

INFLATION

It has been rising in recent months, and that is only likely to get more severe now. Oil prices briefly rose to over USD 130 a barrel in the aftermath of the war in Ukraine.

This rise in inflation is undoubtedly going to have an impact on businesses, and finance teams will need to manage and operate in a higher inflationary environment for months to come.

To help counter the higher inflationary climate, assiduous financial and strategic planning is needed. The questions you should be asking yourself now are:

- Have I modeled different geopolitical risk scenarios for our business?
- Have I modeled a range of inflation scenarios?
- Have I developed mitigations to enable our business to continue to generate a healthy free cash flow?

When moving forward, business leaders and finance teams must consider how price inflation will impact their consumers and what impact that will have on their operations and business model. Likewise, con-

sideration of what help can be given to staff in the volatile economic climate should be undertaken. This does not necessarily mean wage increases but could be about what kind of help and support can be given so staff can better manage the changing economic and business environment.

SUPPLY CHAINS

Electric vehicle (EV) manufacturing provides one example of supply chains hit by the crisis. Reuters reported that Tesla Chief executive Elon Musk has seen "significant" inflation in raw materials and logistics. Business and finance leaders need to ask a series of questions including: what actions should be taken to improve my business's supply chain in the event of other geopolitical risk events? They also need to analyze their extended supply chains and consider regulatory and reputation-related risks.

CHANGING PERSPECTIVES

In these disruptive times, the need to adapt is critical. We now need to constantly evolve to stay relevant and ensure our organizations survive, adapt, and thrive. You may be thinking, "Where do we start?" Here are my recommendations:

- Commit to learning, unlearning, and relearning. This will expand your skills to thrive now and in the future. You cannot complete this pledge in a few weeks. It's a continuous, career-long process of development — but it will ultimately help you, your organizations, and your teams succeed.
- Grow your digital mindset. To embrace the major digital transformation in finance, ensure you prioritize technology implementation and training on digital skills.
- Get comfortable with tangibles

and intangibles. Management accountants have a key role to play in building the processes and systems to deliver relevant management information and insights in this area and improve their businesses' integrated thinking capabilities. Finance must lead the transformation of corporate reporting to use financial and non-financial data to drive better business decisions and manage risk.

- Become a disruptor. According to our new report "How finance leaders influence the future", the idea of being disruptive, and the role of finance in challenging the business to be disruptive and to reinvent itself, is going to be critical. By displaying a growth mindset (consisting of resilience, learning, and innovation mindsets), and constantly challenging existing ways of working, management accountants inform changes to strategic direction. Doing this all in an authentic, purposeful way, you can become a highly trusted partner to the business.

The finance profession is at the heart of businesses around the world, which is why it is charged with addressing the knock-on effects of disruption. And in this environment of accelerated change, I believe that finance and accounting professionals have got what it takes to support the resilience of individuals, businesses, and economies.

For more information visit:

bit.ly/Reimaginingperformance

cgma.org/resources/tools/cgma-cybersecurity-tool-oct-2021.html

bit.ly/Cybersecurity45sec

insights.cgma.org/story/influence_the_future