

Shifting Priorities: Highlights from the 2021 AFP Risk Survey

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2021 AFP RISK SURVEY



- Conducted in May 2021
- Responses from 272 senior-level corporate practitioners across all sectors primarily from North American (45%) and multinational (37%) organizations
- Captures key learnings for treasury and financial professionals as their organizations recover from the pandemic crisis
- Highlights the focus areas for next few years

AFP Thanks Marsh McLennan for Supporting this Year's Survey

Question #1

In the last 5-6 months, what is the most challenging risk to manage at your organization?

- 1) Supply Chain
- 2) Cyber Security
- 3) Strategic/Competitive
- 4) Staff Transition



Most Challenging Risks to Manage

Top ranked risks over a three-year horizon (Percentage of organizations who ranked risks in top three)



47%

CYBER SECURITY

- Ransomware; Phishing; etc.



37%

STRATEGIC

- Competitors; Industry disruptions; etc.



34%

BUSINESS OPERATIONS
INTERRUPTIONS

- Supply chain disruptions; Production interruptions; etc.



33%

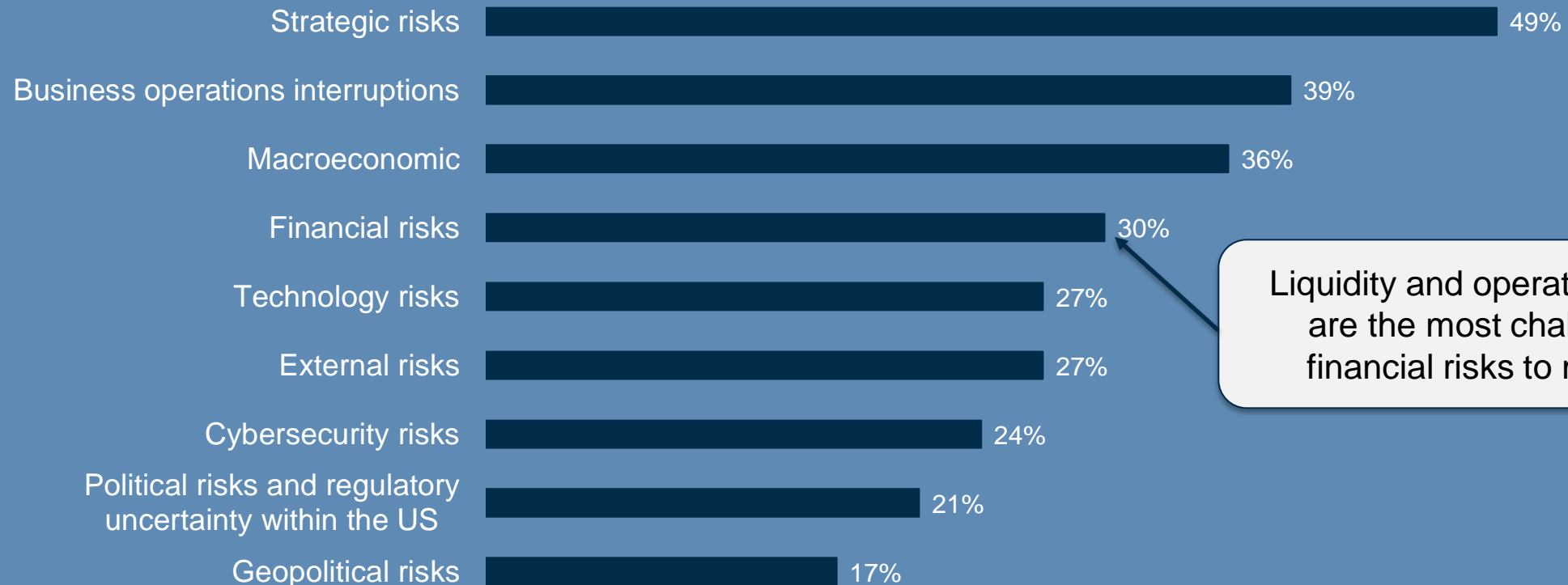
FINANCIAL

- Credit; Liquidity; etc.



Impact on Earnings

Risks that have the greatest impact on organization's earnings in next 3 years (Percentage distribution of organizations)

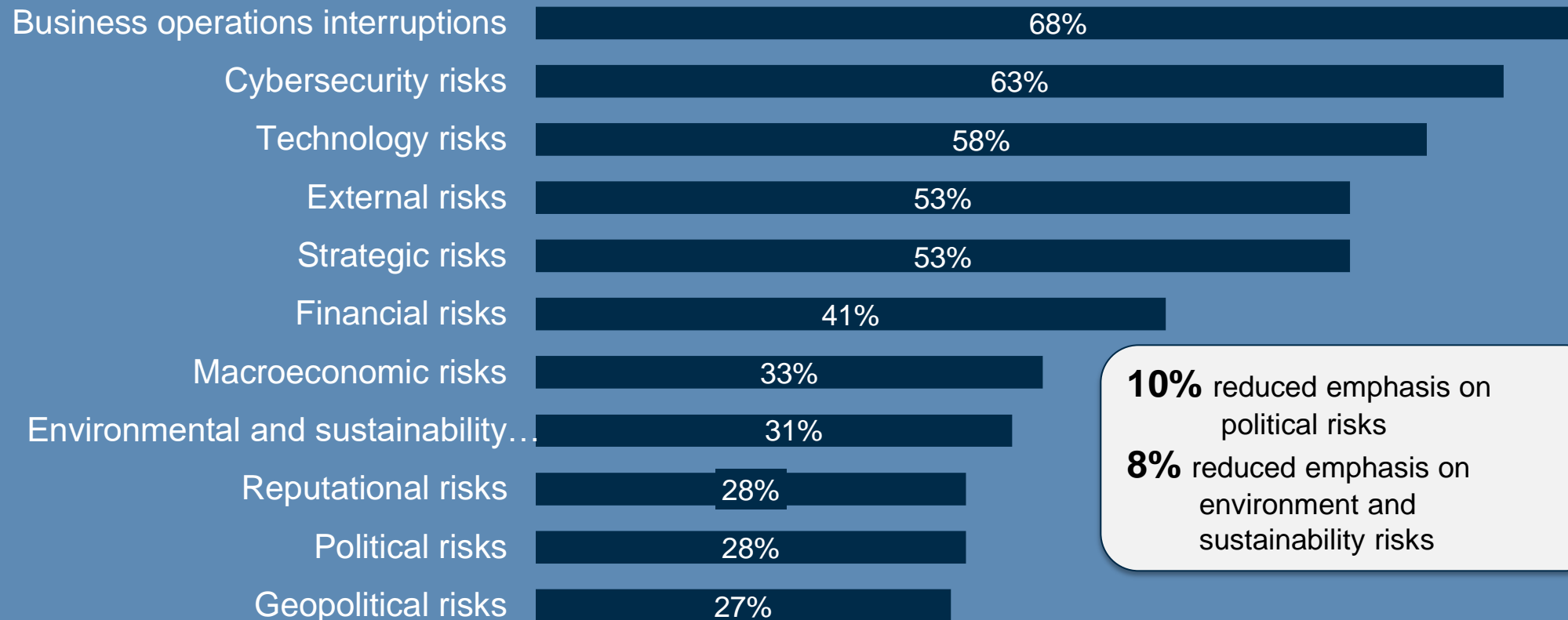


Liquidity and operational risks are the most challenging financial risks to manage



Shift in Mitigating Risk Emphasis

Shift in emphasis on mitigating risk in the past 12-14 months
(Percentage distribution of organizations)



10% reduced emphasis on political risks
8% reduced emphasis on environment and sustainability risks

Key Learnings From Crisis

84%

Focus on people

81%

Access to data

79%

Cash flow and
liquidity

53%

Risk visibility

Critical focus areas for treasury team to build resilience for the next crisis (Percentage of respondents)

Managing people effectively is key in withstanding future crises

Digital tools and data analytics are important in improving ability to accurately forecast risk and finance metrics

Focus on managing cash flow, working capital and liquidity to manage future risks

A fuller view of risks and timeliness of delivery of risk information



A More Strategic Role

47%

Percentage respondents that agree that those managing risks at their organization have **grown into a more strategic role** in the past 12 months



Focus on Strategic Risks

- a. Review/Define Strategic Risks: competitor, industry disruptions, evolving customer demand and purchasing behavior, etc.
- b. Marsh Perspectives on Best Practices
- c. Focus on Mission Critical Deliverables and New Strategic Initiatives



ERM Should Bring Value to Strategy

- a) a. Understand the strategy – what goals and how will they be achieved
- b) b. Question each value driver - what must go right to be successful / key assumptions / impact of extreme success
- c) c. Identify risks - interviews, workshops, surveys, scenario analysis
- d) d. Assess risks – rate risks for probability / impact of occurring in similar time horizon as strategic plan
- e) e. Risk responses – proactive and reactive mitigation plans to shift risks within risk appetite
- f) f. Metrics– develop key risk indicators to monitor risks
- g) g. Communicate – actionable dashboard or key risks board/risk committee



Question #2

Is your company planning to return to the office in the next three months?

- 1) No, staying Remote
- 2) Yes, full staff returning, in process
- 3) Yes, full staff returning, timing TBD
- 4) Yes, Hybrid, x number days of the week



Focus on Human Capital

a. Key Learnings

b. Henry Schein Perspectives on Best Practices

c. Oliver Wyman Perspectives on Best Practices



Human Capital Aspects

Organization Structure, Management and Culture

“Work on culture to emphasize adaptability and flexibility

“A strong and capable Board of Directors”

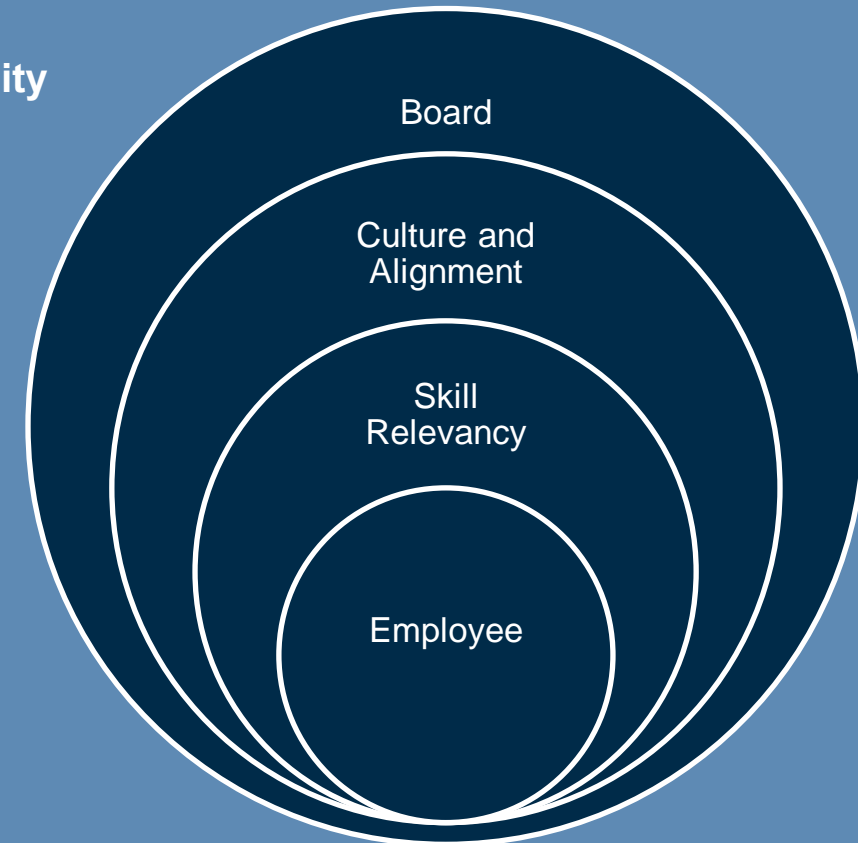
“Gender equality and reward of demand”

“Environmental, social and corporate governance”

“Office set up: should not have an extremely crowded office; ...”as technology lost due to staff in developing countries will move from job to job and their know-how will be taken with them when they leave the company”

“Organizational management; aligning departments so the focus is the same”

Respondents also believe it is important to focus on the following so their organizations can withstand the next crisis:



Three Forces Driving Finance Workforce Transformation

1

Digitization

2

Pandemic experience

3

Technology enablers



Gaps for Finance Organizations

Digital challenges have highlighted key culture and support gaps for finance organizations

Invest in talent and skill development programs



Align the Finance function with the digital forces and strategies that are affecting organizations

Establish business partnerships and acumen



Business partnerships are essential for Finance to support enterprise value preservation and generation

Develop a growth and change mindset



Build a culture that embraces change and innovation and one where Finance can work in flexible team structures (for example, agile)

Be ecosystem-focused



Ability to detect ecosystem drivers of value — for example, customers, suppliers, microservices providers, and integrate these value drivers into dynamic performance management



Digital Forces and Next Generation Enterprise Capabilities

Key technology trends

Big data Innovation, acceleration and pervasion of technology

- Artificial intelligence/ machine learning
- Ultra-fast data transmission
- Cloud-based services
- APIs/modular architecture
- Blockchain/distributed ledger technology (DLT)
- Autonomous Agents and Things
- Robotic process automation
- Integrated seamless experience
- Proliferation of content

Key areas of impact on Finance functions



Increasing amounts of real-time KPI and information



Automation and smart contract-based business flows



Proliferation of robotics and AI



New culture and ways of working








Business require broader, more detailed information



Emergence of Finance microservices

Flexible finance working strategies

Consider 5 key aspects as illustrated by the “personas” below

 Capital planning	 Finance data scientist	 Accountant	 FP&A — Business support	 Data visualization expert
Where? Location and infrastructure	When? Hours and scheduling	How? Scaling & technology	What? Job content and sharing	Who? Alternative workforce, automation
<i>“I collaborate with my team a few days a week at the office but otherwise I work from home.”</i>	<i>“I work 40 hours a week but vary the days and times I work to meet the needs of my family.”</i>	<i>“I work 60 hours per week during the busy season, but scale back to 30 hours per week in less busy times of the year.”</i>	<i>“I share my project load with another FP&A manager and currently work a reduced schedule to support my personal needs.”</i>	<i>“I work on demand on projects that fit my interests across multiple employers — I am my own boss.”</i>



Achieve a Sustainable Workforce Transformation

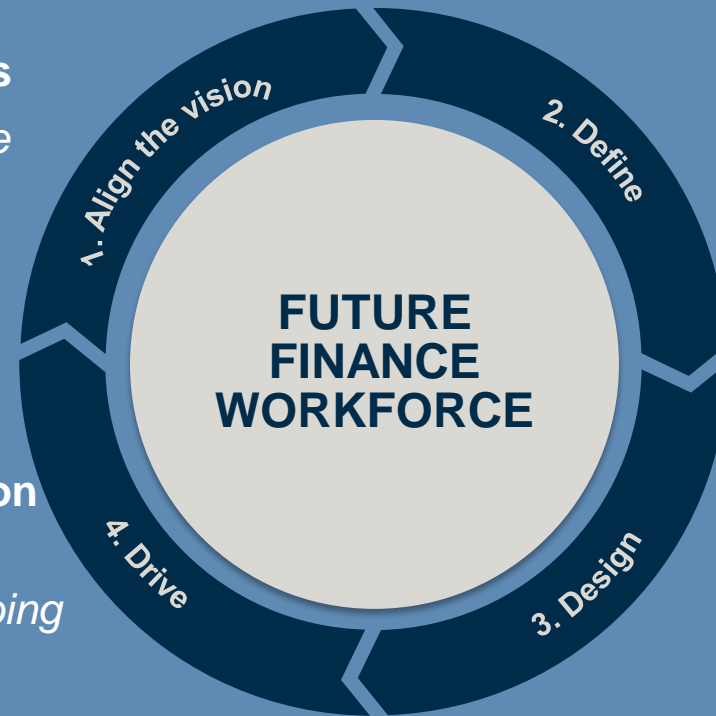
A four-step iterative process to achieve a sustainable workforce transformation

Set strategic imperatives

What do they mean for the Finance function

Deliver the transformation

How do we drive the transformation on an ongoing basis?



Map your current and future workforce – use rich information from the pandemic

What does my current workforce look like, and what could it look like in the future?

Determine and design workforce strategies

- Organization structure and capabilities
- Culture and trust
- Leadership and learning
- Communication

How do we get there – through training and reskilling?

Wrap-up/Conclusion/Q&A



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