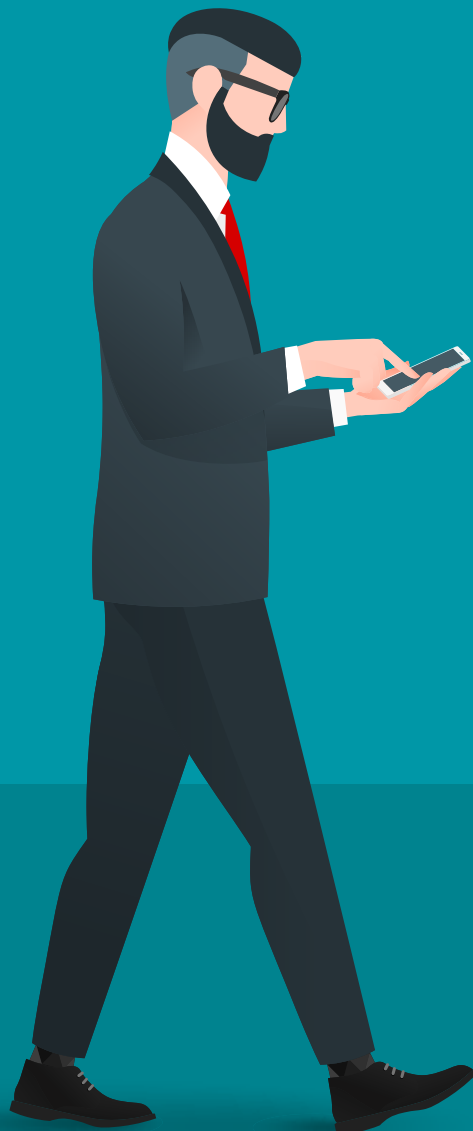




Foodies, Selfies & Savvy:
Millennials & Modern Finance



A Prophix whitepaper

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Introduction

For a business to survive in today's era of rapidly evolving digital technology, they must have more robust decision capability. The primary reasons for this are related to the speed at which business is conducted now and will be in the future. Vast volumes of data to process, and the increasingly huge pressure for results means that data-driven decisions need to be made more quickly. Finance and accounting teams who are both highly analytical and, most importantly, neutral, allow to successfully solve problems associated with data flow and rapid changes.

Millennials, the largest growing demographic entering the workforce, are more engaged with technology than any preceding generation. Rather than learn how to write by hand, students are taught to type on computers and text on handheld devices. They are also taught to develop ideas by searching the internet, communicating instantly and constantly, following world events, as they unfold, in real time.

Because millennials have grown up in an era of accelerating change, they are more comfortable with rapid change, volatility and better understand the need to be aware of the risk. Millennials are the generation that is best equipped and will have to carry us into today's massive, systematic and constant change, driven by the exponential evolution of digital technology.

Digital Transformation

Our parents and grandparents developed and used management control principles in the same way that future generations, including Millennials, most likely will. The difference between the ways the principles function for each generation is the power of technology and the way it is applied.

In the industrial age when cost accounting practices developed, computers, of course, did not exist, so managers and accountants had to depend on paper, pencils, and rudimentary calculation equipment. Resulting data/information to support decision making for the development of strategic plans, operating plans, and budgets, as well as ongoing measurement and variance analysis, depended on the brain- and now human-power of millions of people working long hours. Although the people were intelligent, the underlying systems were not.

Fast forward to today, where digital technology has already changed the way in which trade and commerce are conducted and even where it is conducted. The pace of technology evolution and change is exponential. Over the last 50 years, as computing has evolved from zero capability to massive, the probability of ever increasing capability is clearly expected. Advances in technology will dramatically improve the way in which services are provided, and work is performed. This has already occurred in administration and finance functions, newspaper and print publication, retail and a huge list of other industries. The challenge for human beings is to look for ways to adapt continuously changing technology and conditions to improve lives and business performance.



Millennials

The need for Baby Boomers and Generation X to adapt is increasingly unnecessary as they retire from the workplace and move on to more recreational activities. Within 20 years 65% of jobs in North America will be occupied by Millennials¹.



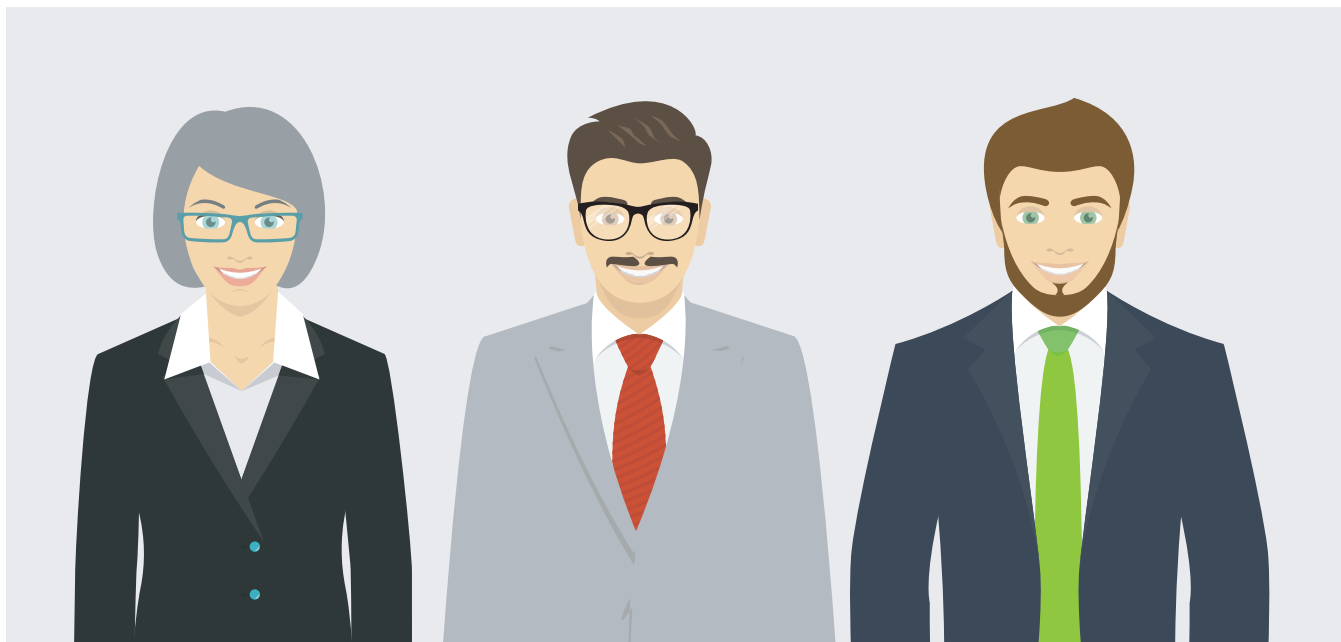
One of the largest generations in history is about to move into its prime spending years. Millennials are poised to reshape the economy; their unique experiences will change the ways we buy and sell, forcing companies to examine how they do business for decades to come.”

Business now and into the future.

The speed of doing business increases in the global service- and Intellectual Property (IP)-driven economy where business opportunities arise rapidly. Huge value and wealth are created in a very short period utilizing ever-evolving telecommunications, technology, ability to reach markets, deliver goods and services, and transfer funds globally in seconds. All of this is because of new and better services meeting the demands of customers who have immediate access to information about subjects that are of interest to them. For example, consider the number of downloads of the most downloaded song in iTunes history, 'I Gotta Feeling' by Black Eyed Peas, which topped the charts in no fewer than 20 countries. YouTube alone shows 243 million viewers of the video, and it is estimated that it was downloaded illegally over 1 billion times. All of this without any need to manufacture, package, and distribute records, CDs or any other kind of physical medium. It is estimated, however, that it was purchased physically by more than 15 million people.



The way in which people use information is changing



Baby Boomers – Hindsight

In the decades before Baby Boomers, the most valued form of business financial information was the historical period end report, whether monthly, quarterly or annually produced. The need to wait for information was taken for granted by decision makers. Indeed, the primary and most important financial measurement was Return on Investment (ROI). For centuries, historical information, or hindsight, provided a reasonable indication of what to expect in future periods and therefore satisfied information needs on which to base decisions.

Today, businesses are obligated to demonstrate that they have satisfied legal and compliance requirements while delivering the results that were promised to investors. Hence the continued importance of historical reporting, but now, hindsight mostly provides validation for successful business leaders and confidence amongst stakeholders that what was expected or promised has been delivered and should, therefore, continue to be delivered in future. It is no longer provides adequate information about future business performance.

During their careers, Baby Boomers experienced the shift from ROI as the

most important measure of business performance. Instead, shareholder value or economic value premised on discounted future cash flow has become the most important measure.

Millennials who are trained as finance and accounting professionals are well prepared to understand and apply new technology to automate historical reporting and to take advantage of technology to ensure all compliance requirements are monitored and performed by requirements. This is because they have been oriented to focus on the future, to recognize that in a business world dominated by shareholder value, anticipating future cash flow is of critical importance. Therefore, the emphasis by prior generations on historical results will still be important to Millennials but insufficient. Success is defined by being better prepared for the future.

Gen Xers and Millennials – Insight

When the Baby Boomers were in the middle of their careers, and Gen Xers were starting theirs, the speed of technological evolution increased, as did the speed at which business is conducted. We have yet to see how far this will go. With change constantly occurring and the speed of business ramping up so quickly, the most critical skill becomes the ability to interpret variances as signals to change and adapt to new conditions based on whatever insights are available. That means to succeed people must be extremely alert and driven to shift to the next opportunity in very short order. In finance and accounting processes, the need for well-prepared plans, early

variance analysis and ability to analyze, interpret, and conduct what-if analysis using the latest technology will differentiate business success.

Insight facilitated by technology is much better understood by Gen Xers and Millennials than previous generations.

Millennials - Foresight

Millennials are well suited to manage and work with new finance and accounting technology as it changes while keeping up with the rapid pace of business.

As variances between the plan and actual may suggest a plan re-think is necessary, Millennials will already be at work. They have learned how to obtain data from diverse institutional, informal and organizational sources. They have also learned how to make computers do the work for them.

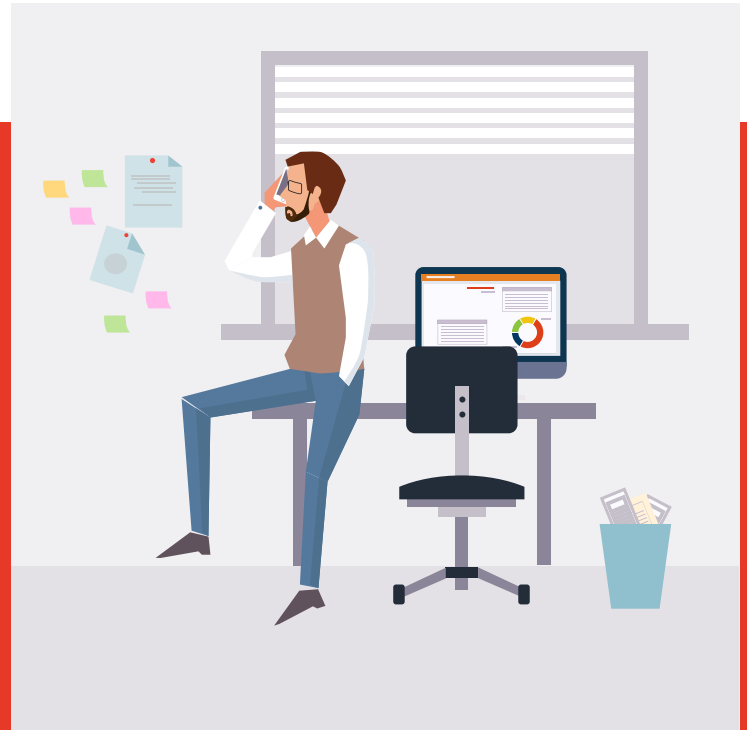
Millennials are used to change, risk, and volatility, they are oriented to seek the best solutions, and options in real time. Those attributes will help them to prepare what-if analysis to determine which business option has the least amount of risk or most opportunity to drive increased long-term value. Millennials in finance and accounting will be keen to perform simulation modeling or to launch on-the-fly forecast updates. Millennials are not afraid of either technology or change, and they understand the benefits associated with identifying and embracing opportunities, assessing risk, and using the best tools available to provide organization decision makers the most informed choices possible.

Way forward for finance

Finance needs to analyze and interpret data coming from sources both internal to their organization and external to provide management recommendations to help them make well-informed decisions. This means going way beyond normal, day-to-day accounting processes. It requires massively enhanced planning and analysis capacity in finance and accounting functions, to move them beyond their traditional focus on transaction processing.

Call to Action

Hire Millennials into finance and accounting roles. Make sure they are innovative, have a strong orientation to business, numbers, and analysis. Also, it is important for them to understand accounting, but have them focused on markets served by your business as well as its services and products and robust orientation towards change and the future! These employees will become the central source of interpretation and intelligent decision making to create long-term organization value.



¹Goldman Sachs Informational on Millennials <http://www.goldmansachs.com/our-thinking/pages/millennials/>

About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation, and reporting—improving a company's profitability and minimizing its risks. Thousands of forward-looking organizations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.

Head Office

350 Burnhamthorpe Road W.
Suite 1000
Mississauga, Ontario
Canada • L5B 3J1

+1 (800) 387 - 5915
+1 (905) 279 - 8711
info@prophix.com
www.prophix.com

United States

707 SW Washington St.
Suite 1100
Portland, OR 97205

www.prophix.com

United Kingdom

Davidson House
The Forbury
Reading
RG1 3EU

+44 (0) 118 900 1900
uk-info@prophix.com
www.prophix.co.uk

Europe

Sankt Knuds Vej 41
1903 Frederiksberg C
Denmark

+ 45 7023 2375
europe-info@prophix.com
www.prophix.com/dk

South America

São Paulo - SP - Brasil
Rua Guararapes 1855 - 1º
andar - Brooklin Novo
04561 - 004

+55 11 3583-1652

South America

Rio de Janeiro – RJ - Brasil
Av. Marechal Camara 160 sala
1612 – Centro
20.020-080

+55 21 3094-3904
egallindo@prophixsouthamerica.com
www.prophix.com/br

DACH Region

Messturm
60308 Frankfurt am Main
Germany

+49 69 509 565 605
dach-info@prophix.com
www.prophix.de



www.prophix.com

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