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FINANCIAL TRANSFORMATION

Why everything you know about it is wrong—and what to do about it.

AT A TIME WHEN INNOVATIONS IN TECHNOLOGY are reshaping virtually every aspect of business, CFOs and their teams are under constant pressure to find and adopt solutions that can reduce costs and drive more efficiency. For good reason—the capabilities are vast. Yet, many react to the phrase "financial transformation" with skepticism, envisioning a lengthy, costly implementation process with no guarantee of delivering the sought-after value.

Informed by experiences struggling to get value out of ERP solutions, such reactions are understandable. As Dominick Fatibene, senior product marketing manager at Workiva, told executives during a recent CFO roundtable discussion: "When we ask financial executives about their experiences undertaking a transformation involving a core system, we tend to hear that the expectations were typically higher than what they saw after execution of the implementation."

However, financial transformation need no longer be considered synonymous with giant capital investments and multi-year implementation programs for an uncertain, subpar outcome, Fatibene added.

"Those large-scale systems implementations generally don't focus on the smaller cultural shifts necessary to drive an organization in the direction of continuous improvement," he said. "So, oftentimes, organizations miss the opportunities to target smaller, low-hanging fruit, and that directly impacts the day-to-day operations of a lot of people in the organization."

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—Dominick Fatibene, Workiva

Identifying Opportunities

The point resonated with roundtable participants, who shared their frustrations with unlocking the full potential of transformation initiatives. David Sweas, CFO of Tata Consultancy Services, expressed frustration about the time invested in managing closing cycles. "A key learning along the transformation journey is, 'Hey, I've got a powerful system here. Why don't I try to know the numbers on a daily basis, not just KPIs but the key metrics throughout the month—balance sheet cash positions and all of those things?'" he asked. "Rather than reinvent the month-end closing, we should focus on it from the beginning, getting it right throughout the month, and the closing will take care of itself."

For Ilana Esterrich, CFO of American Coatings Association, routine tasks that have outlived their usefulness have long been a pain point. "All these reports and analysis that people say they want cause a lot of drag on the organization—and when you stop doing them, does it really impact the organization?" she asked. "Let's investigate more to figure out if we're doing the right things for the right reasons and at the right times."

The persistence of silos within the financial group only serve to exacerbate that issue, Sweas noted. "You'll go to implement an SAP or tier-one system and find a lot of users who know a little piece of it, or which buttons to push in their own little area. You can't find that one person who can say, 'I understand every transaction coming out of supply chain, sales or wherever it's coming from, how revenue flows through the GL and down into the financial statements and the reporting.' You don't find that one person who tries to champion the whole thing, not necessarily a mile deep but a mile wide."

Gathering information from all of the various process owners and building a visual representation of how the organization accomplishes various tasks helps identify where technology can smooth workflow. Recounting putting together process maps for companies as an internal auditor, Fatibene described talking to 20 different process owners about simple things like a three-way match for accounts receivable and then assembling the pieces into a cohesive document. "For any organization that's looking at, say, how to cut the number of days in the cycle or how to ensure a continuous reporting rhythm where we at least get our main data points on a daily basis—a lot of that comes down to how well you can understand the process itself," he explained. "Then, you can find the areas you need to improve on within that process."

81% of CFOs see targeting areas of new value across the business as a main responsibility.

One area where Nanette Bischoff, CFO of ViacomCBS Networks International, sees potential is in streamlining the collection and analysis of data coming from the company's different geographic operations, each with its own fully formed finance team reporting in to the central office. "One of the pain points is this inertia about the way we've always done it, managing that matrix organization and having to compile and try to slice and dice data from those regions," she said. "If we can solve for that, it will be huge in terms of efficiencies and making both our finance people and our business stakeholders happy."

Lessons from Reengineering

That type of stepping back and questioning longstanding practices helps organizations identify areas ripe for change. Esterrich suggested a questioning exercise drawn from the era of radical reengineering when "blowing everything up and starting from scratch" was a path to transformation. "It's imperative to ask, 'Why are we doing this?'" she said. "If it's because we've always done that or something very similar, then why have we been doing it that way? Who's going to get hurt if we don't [do that] anymore? And then, what do we want it to look like instead?"

Ideally, long-standing, outdated processes should be vetted at all levels of the organization, she added. "It's from the tactical folks in your organization who are doing the day-to-day, worker-bee type of work that the really great automation ideas will come," Esterrich said. "Bringing them on board by saying, 'Hey, you have a chance to make your job easier, better, faster, more exciting, can really help accelerate the change if you're looking for radical transformation. It also helps close the loop with your key stakeholders because when their own folks are saying, 'Hey, we will get more valuable information or more timely information if we work more collaboratively with the transformation team,' you'll see the stakeholders come aboard a little faster because they don't have to sell it to their teams."

As the core responsibilities of finance functions evolve, there's growing recognition that talent development will play a critical role in transitioning toward the increasingly digital finance function's stronger focus on analysis, prediction and decision support. "One of the big things for me on this journey is that the people aspect is so important to get right," said Chris DelOrefice, vice president of investor relations at Johnson & Johnson. "You want to pull in experts who have strong institutional knowledge.

77% of CFOs agree that their role is expanding to oversee the digital reinvention of their enterprise.

Source: Accenture

With that said, you need to find people who are willing to progress to a different future. You also need to get your future leaders involved because the broader organization will respond when they see folks they know are going to continue to progress through the organization drive and lead these initiatives."

Grassroots efforts to pull information and ideas up from within also pay off when the organization needs buy-in on investing in helping the finance function evolve into a strategic partner—which can be a heavy lift. "We're meant to be a business partner, but we're also basically a cost [center]," Bischoff said. "In every transformation, you're trying to pull costs out of the business, so we look to the finance organization to do what you do exactly the way you do it or better, but automate it and have it cost less. Those are really high expectations all piled up on top of each other."

73% of CFOs say that their engagement in strategic planning has increased in the past two years.

Ultimately, the business case for financial transformation projects is increasingly clear. Accenture estimates that automation technologies can take on between 60 to 80 percent of backward-looking accounting activity, freeing up finance teams to focus on data-driven initiatives that drive profitable growth. "Transformation projects help organizations stay nimble," Fatibene said. "As you're looking at all the different things you can be putting resources into, it's important to evaluate what you're doing with the finance function and how you're assuring the finance function itself is staying competitive."

Esterrich noted that organizations get past the sticker shock once outcomes convince them of the value of upgrading financial systems. "We had to fight to explain what would happen without it—that if you don't add money here, you'll end up detracting money," she said. "That's generally how you get that investment into what they consider a cost center. Then, all of a sudden, ROI starts increasing, and everyone's very happy. Those wins help change the perception of finance as a cost center to being a value center." ●

Source: Accenture