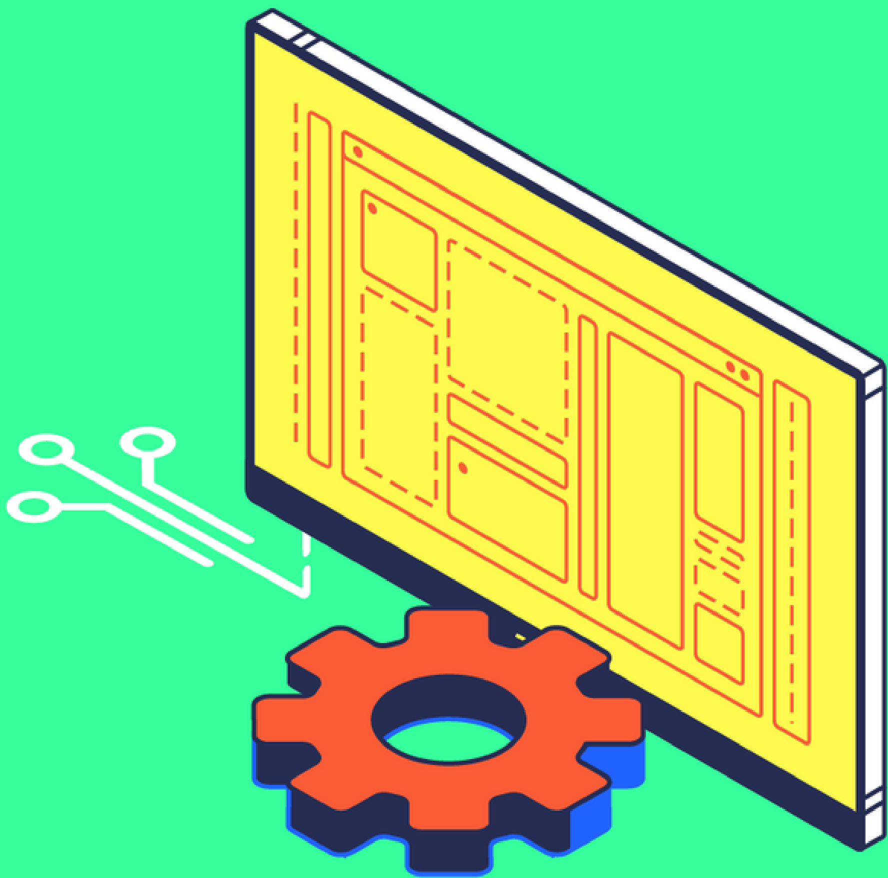
Addressing the challenges of finance transformation



Whitepaper

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INTRODUCTION

Finance transformation strategies have grown in popularity in recent years, and it's easy to see why. Every year, CFOs, FDs and Finance Managers alike are asked to do more with less budget. According to recent research from Gartner, 85% of finance teams are currently undergoing a finance transformation as a result of tighter budgets, reduced resources and increased deliverable volumes.

The very nature of finance transformation involves overhauling everything from systems, processes and policies, to the overall culture of a business. This is achieved by analysing current processes, implementing new technology stacks and generally optimising financial operations to deliver improved efficiency with measured effectiveness. However, with so many business processes to keep in mind, and new technology emerging every day promising to make everything that much easier, it's often difficult for organisations to know where to start in developing a strategy, what to include and what hurdles they may face along the way.

In this white paper, we're going to take a deep dive into the four main pain points associated with finance transformation and look at how innovative new technology is leading the way to support businesses in their finance transformation efforts.

"85% of teams are currently undergoing a finance transformation."

The Role of Technology

To stay ahead of the curve, organisations need to ensure their finance operations are agile and predictive, and they must pick the right time to engage with both the right talent and the right new technologies to gain a competitive edge.

With 70% of finance transformation initiatives failing to deliver, businesses need to better support their strategies by ensuring they don't fall at these common hurdles:

- Process optimisation
- Data reporting
- Mailbox handling
- Legacy systems

In order to successfully execute new financial strategies and achieve real finance transformation, businesses need to streamline the back-end by addressing these pain points. The problem is, that alleviating these challenges often comes with significant costs, not only from a monetary perspective but also in terms of time and resources.

For those that do have the budget and manpower to go full steam ahead, ripping and replacing systems and platforms, and bringing in new practices and financial operations can have a huge impact on a business, its revenue, and its position in the market. Findings from Mckinsey show that over the past decade, finance departments on a global scale managed to reduce their business costs by an average of almost 30%. This is a huge win in general, but fast forward to 2030, and the goal is to go even further by achieving even greater levels of effectiveness.

There's much debate within the industry regarding who and what will bring about this increased level of effectiveness – people, or technology. Many CFOs believe that the current financial systems being leveraged will not stand the test of time in terms of what they need to be able to achieve over the next 10+ years. The only way to change this is to ensure teams are working with the right people and the right technology stack – but which will prevail?

A global CFO and finance leader study from EY found that the successful finance strategy of the future will most likely embrace technological innovations to improve effectiveness, increase efficiency and enhance insight. However, while technology provides this function, people are still required to make the most of it in the first place and provide the complementary skills and competencies to improve and drive decision-making in support of the organisation's overall purpose and strategy.

However, the answer to a successful financial transformation lies in choosing the right technology. The solution needs to be able to alleviate common hurdles that organisations are constantly put up against in their transformation efforts.

Process Optimisation

Finance transformation strategies are centred around optimisation. So, it stands to reason that the first step to ensuring a future-proof strategy, that encompasses new technologies with the support of the finance team to drive better results, is to optimise processes on the back-end. By transforming internal and external finance tasks and responsibilities, businesses stand to save significantly in terms of time, costs and resources.

However, many businesses that have implemented this approach are still failing to deliver in several areas:

1

Inefficient procure-to-pay procedures

Inefficient procure-to-pay procedures due to manual processes, legacy systems and multiple data system inputs

2

Lack of order to cash integration

Lack of order to cash integration as the sales function is not integrated with finance effectively, which reduces the transparency of the sales pipeline, which then results in poor cash flow forecasting and order management

3

Poor Processes

Poor accounts payable and accounts receivable processes and workflow management – this results in both accounts payable and receivable not making/ receiving payments on time

4

Combining data Reporting

Combining data reporting, spreadsheets and systems makes data reporting a very manual process, often resulting in human errors and therefore, inaccurate data being presented, and often late

5

Inacurate Budget Planning

Inaccurate budget planning as data is collected and managed from various sources in different ways, which also results in delayed decision making, and poor management of accurate real-time information

6

Time Consuming Payroll

Timeconsuming payroll due to data from HR systems or spreadsheets being manual and not time-efficient, which also often results in human errors. Payroll may also be outsourced, adding further complexities from third parties and their own manual method of payroll management

7

Limited expenses integration

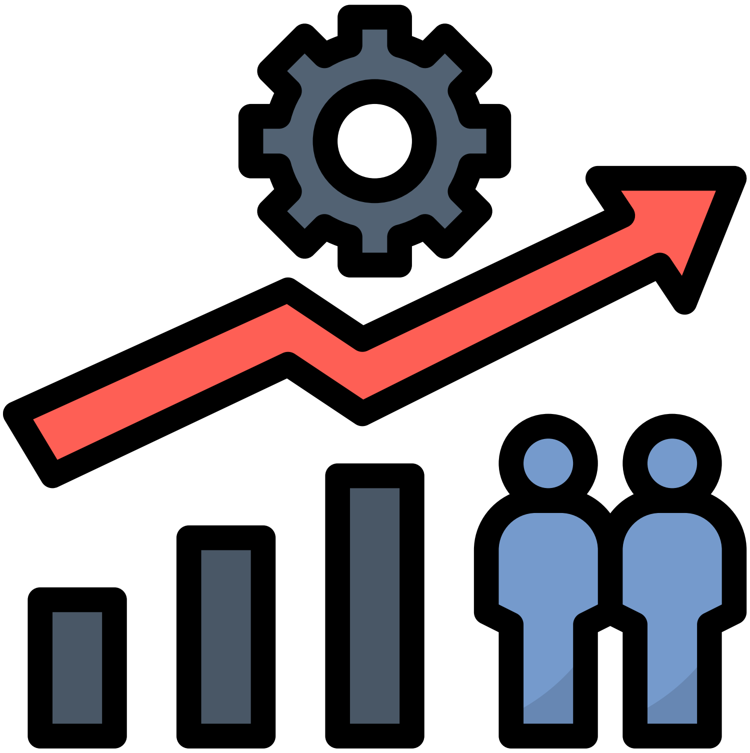
Limited expenses integration which is often inputted and managed in spreadsheets and not integrated into other systems, and when third party tools are deployed to alleviate this issue, the manual processing of data and end-to-end payments is then still required

8

Laborious system upgrades

Laborious system upgrades where often, a new ERP (enterprise resource planning) solution is implemented, but this can take several years to get up and running effectively, and doesn't always engineer manual processes – therefore organisations are unable to benefit from the new technology in the way they'd hoped

Process optimisation



The majority of businesses have faced these process optimisation hurdles while undertaking finance transformation. Whereas many have leveraged ad hoc solutions that may specialise in the optimisation of narrow, individual finance and accounting processes to solve some of these issues, a full-scale finance process optimisation is more concerned with the end-to-end framework for fundamentally transforming how the finance function operates.

When technology solutions are deployed in isolation, it often results in more manual processes needing to be performed due to lack of integration. Unless an all-encompassing solution is adopted, CFOs don't stand to reap the rewards of effective technology. Whatsmore, if an ERP solution is implemented, they're multi-year projects, meaning there are no quick wins for anybody.

Innovative technologies such as RPA (robotic process automation), AI (artificial intelligence), OCR (optical character recognition) and ML (machine learning) are all lending a helping hand to organisations that want to simplify, automate and optimise financial processes. Solution providers are using these technologies to fuel their finance solutions and deliver true finance transformation to clients. This type of technology can both eliminate manual processes and integrate with others to help organisations to reimagine and simplify their back-end finance processes. They also often require a smaller budget, fewer resources and less time than other solutions on the market.

Data Reporting

Businesses across all industries already have countless amounts of internal and external data to filter through and manage, which envelopes everything from finance and sales, to customers, employees, and much more. Although this level of information creates a huge data lake to dip into, extracting meaningful data from the right source in order to facilitate important financial business decisions is still a struggle for many organisations.

Traditionally, the function of the finance team was to report and balance the books, but changing global demands, trends, demographics and buyer behaviour means that the role of the CFO now needs to become a data-driven decision centre.

On average, people create 1.7 MB of data every second, however, studies show that between 60 and 73% of company data goes unused. Businesses want and need more data to make better informed decisions, but aren't always sure about what to actually do with that raw data once they harvest it. Gleaning data isn't always easy, but regardless of the question that a finance team is asking from its data, having a bigger and better picture of that data will only provide a more transparent answer to the question asked.

So, why are businesses not using their data to that effect?

- Multiple data sources
- Limited access
- Lack of knowledge
- Timeconsuming
- Labour intensive

Data and reporting are not mature within many organisations. Often, they either don't have the right tools, the required manpower, the right access, or they simply don't have enough time to physically collect and analyse the right information at the right time in order to be useful to the business.

Whatsmore, other factors influence how, why and when a business accesses data. The rise of the hybrid and remote working culture as a result of the global COVID-19 pandemic has a huge part to play here. Not only has it meant that it's no longer always easy to get answers to financial questions quickly due to dispersed teams, but the associated security risk is immense. Providing employees with the ability to access data via home computers and insecure networks has placed monumental stress on the shoulders of business' IT security teams – and that's only half the problem from a security perspective. Regulations are in overdrive on an international scale. Financial institutions worldwide have had to build risk-related data control capabilities as a result of regulatory demands, but the development of these capabilities wildly outstrips adoption. The majority of organisations still struggle with significant deficiencies, particularly when it comes to data architecture and technology. Resource constraints are another large pain point when it comes to finding people who understand and can actually mak

e use of financial data for the benefit of an organisation. Data scientists are highly sought after. Competitors are constantly vying to gain the best talent for the best price, and candidates know this and are therefore gaming the system for the best results they can garner too. In general, recruiting new talent and retaining the existing talent needed to run an effective finance team is difficult for many businesses.

All of these issues add up to create a difficult, laborious and increasingly manual data job to be performed, and one that generally people just don't really want to do. The key is to adopt a unified system that creates a single source of truth for all data. By pulling data from all departments, placing it into a data lake and then pushing that data back out, it more easily provides the means in which to improve and inform the decision-making process, with little to no manual intervention required.

Finance can play a leading role in the decision-making process here. CFOs and their teams can leverage data analytics to both track and tell the story of where the organisation is, where it should be going and how various options – from a strategic level – will impact the business' financial performance. By using analytics to provide insight, finance leaders can showcase the evidence associated with the functions' true value and demonstrate that it's an essential part of any strategic discussion.

Mailbox Handling

Regulatory compliance and risk aren't only associated with data and reporting from a financial function perspective. As so many finance departments battle with the ever-increasing pool of rules and regulations to be adhered to, something as simple as an unorganised mailbox system could be putting everything at risk.

Every organisation likely has 10s if not 100s of departmental mailboxes, and 1000s of correspondence within each of those mailboxes in which to handle. Despite new communicative technologies, email still remains top for many businesses – in fact, 95% still use it for internal communications. However, its effectiveness is still widely debated. While losing the odd email amongst 1000s – which happens more than you'd think when multiple people are managing multiple email accounts, with huge volumes of incoming and outgoing communications – may appear trivial, if the information within that correspondence is business-critical, it can result in significant backlash for an organisation.

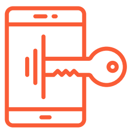
From an external perspective, if an email that contains sensitive customer data is lost, it's almost impossible for a business to trace where that email ends up without knowing if it's been deleted, filed wrongly or, in a worst case scenario, landed in the wrong hands. Even from an internal perspective, emails often contain information regarding agreed deliverables, timelines, budget, employee resignations, payment dates and more. For these reasons, it's key that users know where to access information, and to be able to do so quickly.

Mailbox handling is another manual process that is undertaken by most finance departments. The problem is, that it's often managed by multiple users, is time-consuming and can result in human error. This means that failure to quite literally 'have a handle' on mailboxes and document management, can leave organisations non-compliant and at risk of cyber security and reputational damage.

The solution is to have the right technology and the right systems in place to simplify and automate mailbox handling and document management for financial services departments. AI technology is already helping countless organisations to achieve this. It does so by analysing and learning from employees' filing habits in order to automate the filing process, emails are then securely stored in a centralised folder which is accessible to all users of a single mailbox, reducing storage space and encouraging greater collaboration between teams.

Cybersecurity

As emails are automatically saved and securely filed outside of the email server, it means that organisations protect sensitive information from possible hackers, while also being more organised – it's a win-win.



Shadow IT

This means preventing employees from stealing data and ensuring emails don't get trapped in someone's inbox if a person leaves the organisation.

Regulation

The finance team avoids the risk of fines and reputational damage by ensuring they meet FCA compliance regulations with the guarantee of improved audit trails.

Legacy Systems

Many organisations still utilise legacy ERP and finance systems, which means they likely have little to no automation, and very basic workflow management.

Legacy systems are often custom-built, and it's likely that an organisation has been using the same application for years. This could be down to the company not wanting to upgrade to newer versions of the same software, or not wanting to upgrade to new software altogether. Whatever the reason, not upgrading legacy systems when the time calls can leave organisations in the dark.

It's likely that only a handful of employees know how the legacy ERP or finance system actually works – what happens if those people leave or retire? There's now nobody left that knows how it runs. Whatsmore, is the legacy technology actually doing what it's supposed to, effectively? And what if it needs to perform new tasks to keep pace with business growth, can it perform these too?

A recent study cited some of the top reasons that organisations are choosing to upgrade their ERP systems:

- 17% said for improved job performance
- 14% want to make the job easier for employees
- Another 14% said in order to ensure compliance
- 13% wanted more integrated systems
- And 9% stated that they wanted to replace legacy systems

However, choosing to upgrade is only the first step. Implementing new ERP systems comes with a whole host of challenges to oversee...

PROJECT MANAGEMENT

Due to the length of time that these projects take from initiation to completion – and every phase in between – there's greater room and time for error. This means that projects need to be meticulously managed to avoid mistakes.

PROJECT PLANNING

Underestimating the time and budget required to successfully complete and run legacy ERP and finance system upgrades is very common amongst organisations. Creating a clear plan on what will be achieved, by when and within what budget, and actually sticking to it, is key.

DATA INTEGRATION

The key benefit of implementing an effective ERP is having a single source of truth for all data, this means that all existing data needs to be migrated across to the new system. A thorough search will likely be required to filter through every data source and achieve successful and full migration.

DATA QUALITY

Once all data is collected, it's time to migrate it – this isn't a task to be taken lightly. Organisations often first have to deal with duplicate, incorrect, inconsistent and null and void data, but it's critical that all data is cleaned prior to migration to ensure no values are missing.

CHANGE MANAGEMENT

A new system means a complete overhaul of existing business processes in order to benefit from the efficiency and productivity improvements that are now possible with the new solution. This means a shift in mindset and a change to everyday work processes for many employees at an organisation, which presents typical change management challenges.

Continuous improvement

There is no final product when it comes to new ERP implementation. Organisations need to ensure they're continuously updating their systems to support new business requirements, keep pace with industry trends, and changing financial demands.

Upgrading or replacing legacy systems is a major project, and they often take 3-5 years to complete. These systems are rarely integrated properly – if at all – into other core business applications such as CRM, HR and data reporting tools. The result? More manual work, using on and offline spreadsheets, and generally increasing the volume of manual processes and inaccurate data flowing between systems. This is less than ideal for organisations seeking an effective finance transformation.

Organisations often choose a pick-n-mix approach when it comes to replacing these types of systems, i.e. continue to do what has always been done but do so via a new platform or interface. Instead, businesses need to take a more holistic approach and address the way in which they are doing things now, and why. This provides a much more solid foundation on which to build and implement a new system that will actually help to achieve overall business objectives and KPIs, and to generally realise the benefits of upgrading systems.

Conclusion

Implementing the right technology solution can alleviate these – and many other – challenges associated with finance transformation.

Niico, an intelligent automation solution from Equantiis, combines RPA, AI, OCR and ML to provide organisations with the right tools to transform their finance department. The platform enables businesses to optimise finance processes in order to improve cash flow, and streamline data management and reporting to generate actionable finance data that can be used to better inform decision-making. Businesses can further benefit from increased document and mailbox security as emails are automatically read and actioned based on intelligence learned from employee behaviour.

Implementing a solution like Niico means organisations can free up employees' time and key resources to conduct work that adds true value to the business, rather than battling with outdated manual processes. The best part is that organisations needn't undergo any major changes to existing programs or systems as it integrates seamlessly with other programs, and the solution can be up and running within as little as 30 days. If you're a CFO facing challenges in your finance transformation strategy and you want an effective solution that can keep pace with changing business requirements, book a demonstration with an expert today.

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