Finance Transformation

A Model for Success

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Successful finance transformations change the identity of finance from a support function focused on cost control, compliance and governance to a business partner providing value guidance, problem-solving and mentoring to the entire business.

In finance, traditional approaches to doing more with less have focused on analyzing costs that can be cut, automating existing processes, and satisfying key (usually more powerful) internal stakeholders. In this approach, little is transformed at the core. Instead, the focus is on finding way to do what is already done "faster, better, cheaper". While this is a form of sustaining innovation, it is not a transformation.

In its most common current state, finance is seen as a function that is risk-averse and compliance-focused. Finance leaders bring common sense to the vision and make sure that things are done right. A common side effect of this identity is trouble building true partnerships between visionary CEOs and practical CFOs. CEOs feel that CFOs do not understand or buy into the strategic vision, and CFOs feel that their valid advice on resource allocation is not being listened to.

The effect is also felt throughout the organization. Whenever credit attribution or power dynamics enter the conversation, relationships are likely to suffer, people become dissatisfied and the organization fails to optimize its decision-making.

It feels safer to stay fundamentally the same. However, it is a fallacy if a company intends to truly capitalize on modern trends and opportunities. In its 2019 survey, Gartner found that 70% of finance transformation projects fail to deliver the expected value [1]. It is curious that the "success" needle is at about 30% for virtually all projects requiring major sustained change, whether it is organizational change, finance transformation or post-merger integration.

I see the cause as three-pronged: 1) a change in identity is seen as unnecessary, reputationally risky, or disconnected from systemic expectations and infrastructure; 2) the net rewards are difficult to believe; 3) commitment and focus are fleeting. In my experience, the most common negative response to change for finance leaders is: "Not now, we are focused on cost cutting". Isn't this what our stakeholders expect?

The current reality is that stakeholders are a broad group and they expect more. Key trends in business over the past decade strongly predict that traditionally-run organizations will lose competitive edge. Some of these trends are the rise of sustainable business strategies as a better alternative to competitive ones, the focus on all business stakeholders versus only shareholders, the commoditization of information, increased transparency, and the ease of technical problem solving with technology. What used to be complex is now simple. It is a cultural shift, a mindset shift, and a change in how we see the business world. Changes in behaviors and outcomes require a change in context.

As a finance leader, do you believe that your role extends to driving business value and strategy, and your accountability is to everyone in your business value chain, rather than only to your bosses, boards and shareholders? How do you like to balance power? My personal view is that a finance transformation is unlikely to succeed unless there is a receptive culture defined at the top, valuing collaboration, a common definition of success, and sustainability of entire value chains where decision-making power and end user input into new models and tools are more equally distributed.

Having said this, practical success requires balance, focus on details, and long-term profitability. This document offers a practical model for success for your finance transformation projects. True to OTB Advisory's spirit of "hand-delivering" exceptional client experiences, the model's foundation is "handcrafting" your project to fit your business strategy and mission-critical end user needs. It pays to partner with the best!

With warmest regards,

Elena Bowes

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[1] "Hallmarks of Winning Finance Transformations", Gartner Inc., 2019

Key Benefits of a Comprehensive Model

1. A MUCH HIGHER CHANCE OF OVERALL SUCCESS

Transformations involve finding a new balance that sustainably delivers better results. Experience demonstrates that a focus on either pleasing everyone (e.g., all key internal stakeholders) or a single element (e.g., cost reduction across all processes) do not deliver expected results.

2. STRATEGIC AND EFFICIENT DEPLOYMENT OF LIMITED RESOURCES

A strategic approach allows for strategic resource deployment, both during implementation and in the new state. Identification of mission-critical and specific results, definition of the investment to achieve it, systems thinking in evaluating impact, key risk evaluation, a strategic and efficient focus on getting things done, and effective change management are all key to delivering on business cases and avoiding major disappointment and loss of value.

3. EFFECTIVE STAKEHOLDER MANAGEMENT AND COMMUNICATIONS

Key projects may fail because stakeholders lose confidence. A comprehensive model provides a roadmap for setting expectations and ongoing stakeholder communications within a pre-defined context.

4. MAXIMUM NET BENEFITS FROM AVAILABLE TECHNOLOGIES

The model drives a clear strategic focus for selecting robotic process automation (RPA) software, other automation software platforms and tools, or data analysis and visualization software and deploying it to strategically important processes that are also expected to derive the most financial benefit from automation and data use optimization.

5. LONG-TERM VALUE IS PRIORITIZED

Recent business trends and experience with transformation projects demonstrate that a focus on long-term value is key for securing sustainable change and a lasting competitive advantage. Investing in organizational capability is necessary. The model pairs this with financial discipline required to drive financial results and strategically allocate scarce resources.

6. OPTIMIZED OPPORTUNITY EVALUATION

The model encourages companies to assess all opportunities such as outsourcing and offshoring, internal capability development over time, RPA of tasks, process automation, and scalability. Without these considerations, significant value can be lost.

7. FOCUS ON CULTURE AND PEOPLE

This may sound trite, but mission/purpose engagement is critical. Hard and soft elements must be carefully balanced in transformations. Getting this right requires significant leadership experience with transformational projects.

8. RISK MANAGEMENT

Risk management is built into the model to ensure that contingencies in all key areas are identified and addressed before they become unmanageable or result in business case failure.

9. SYSTEMIC BENEFITS

The systems thinking built into the model allows leveraging use and business cases across the organization and fostering the culture of innovation and critical thinking.

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"Handcrafted" Finance

Overriding Principles

- Focus on Key Strategic Business Value Drivers
- Broad Business Stakeholder Considerations
- Value Trade-Offs and Prioritization to Reflect Complexity
- Long-Term Value and Culture over Short-Term Results

Core Elements

- Project Governance
- Broad Mission Engagement
- Business and Use Case Evaluation (Resource Allocation)
- System (General and Application) and Process Controls

Mission & Purpose

WHY

KEY ELEMENTS

Define the **new identity** of finance required to meet current and future business needs

Define the **end state**

Define and understand **stakeholders,** get buy-in

Manage stakeholder expectations

Define **strategic business value drivers** that finance will be accountable for to meet future business needs (e.g., focus on pricing and resource allocation rather than just cost control)

Define **cultural non-negotiables** (long-term value boundaries)

Prepare a high-level (preliminary) **resource plan** for finance required to achieve the strategy

Identify skills required and prepare a preliminary **development plan** for finance professionals

Users

WHO

KEY ELEMENTS

Define the **key users** of finance services throughout the business (users that will directly benefit)

Understand the users' current **perceptions** and **mindset shifts** required to achieve the mission and redefine the purpose

Define user needs and value to be delivered (in the context of strategic objectives)

Make **value trade-offs** to define "in-scope" needs

Manager user expectations (you cannot please everyone)

Services

WHAT & WHEN

KEY ELEMENTS

Define the **menu of services** that finance will provide (eliminate low-value services and focus on high-value ones)

Define **key processes** that must be run by or intersect with finance

Re-evaluate existing processes to determine if processes should be modified, added or cut (also knows as assessing process maturity - but do it strategically!)

Define **different success criteria** for different processes depending on risk/reward profiles (accuracy vs. speed)

Select **technology** that best suits automating redefined processes (e.g., RPA, data analytics solutions, on-prem or cloud process automation platforms, programmed tools)

Develop specific **project plans**

Train and mentor **people**

Overall Experience

HOW

KEY ELEMENTS

Focus on **end users**

Give up control in areas where end users should adopt new technologies, processes or behaviors

Develop **playbooks** through collaboration and consensus

Manage change with **empathy** given constraints

Collaborate with others in defining processes, technology and teams

Define **accountability** cross-functionally (e.g., build RACI charts)

Develop **technology and data governance** strategies and policies

Build **iteration** into the development process; don't penalize people for mistakes

Test-run **pilots** using new models before full rollout

Do not seek perfection; seek **transformational change**

Examples of Key Deliverables

DELIVERABLE	KEY OVERRIDING PRINCIPLE	MODEL CORE ELEMENT	MODEL COMPONENT
Implementation Committee or/and Team Charter	All	Project Governance	Mission and Purpose
Business and Specific Use Cases	All	Business and Use Case Evaluation	All
Implementation Roadmap	Value Trade-Offs and Prioritization to Reduce Complexity	Project Governance	Services
Stakeholder Analysis	Broad Business Stakeholder Considerations	Broad Mission Engagement Business and Use Case Evaluation	Users
Process Evaluation with End-to-End Workflows (automation roadmaps)	Value Trade-Offs and Prioritization to Reduce Complexity	System & Process Controls	Services Overall Experience
Value, Risk and Control Matrices for Key Processes	Focus on Key Strategic Business Value Drivers Long-Term Value & Culture over Short-Term Results	System & Process Controls Business and Use Case Evaluation	Services
Cross-Functional RACI Charts for Key Processes (including automated tasks and decisions)	All	Broad Mission Engagement System & Process Controls	Overall Experience
Finance Playbooks	All	Broad Mission Engagement	Overall Experience
Pilot Projects (leadership and management of delivery)	Value Trade-Offs and Prioritization to Reduce Complexity	All	All
User Acceptance Testing	Broad Business Stakeholder Considerations	Broad Mission Engagement System & Process Controls	Users
Data Governance Policy	Focus on Key Strategic Business Value Drivers Value Trade-Offs and Prioritization to Reduce Complexity	Business and Use Case Evaluation System & Process Controls	Overall Experience
Roles and Skills Assessment	All	Business and Use Case Evaluation	All

Criteria for Process Automation

- Strategic importance of the process to long-term business value drivers.

- Process maturity (end-to-end evaluation shows that the process is efficient, repeatable, scalable, integrated, incorporates best practices where applicable, optimizes data use, and addresses key strategic and process risks).

- Extent of repetition and logical "programmability" (vs. judgmental or creative decisions or output).

- Culture neutrality (e.g., for outsourcing, offshoring or system integration).

- Level of complexity and likelihood of error of manual tasks (e.g., manual reconciliations or data uploads across multiple systems using the same data).

- Availability of data in the format and volume required for automation (e.g., whether the data is routinely collected and available in ERP, CRM or other systems or must be generated manually).

- Extent of effort (time).

- Modularity (i.e., the ability of the automated process or component to be integrated into other systems and processes without negatively affecting process or systemic outputs).

Project Team Charter Template

1. TEAM SCOPE, OBJECTIVES AND BOUNDARIES

- Define the overall mission & key objectives, integrated with the Steering Committee's communications & expectations. This is what the team will be measured on and accountable for. There should be about 3-5 specific objectives.
- Define scope

2. EXPECTED VALUE/DELIVERABLES/MILESTONES

- Be specific on the deliverables and their expected delivery dates
- Be specific on the value that the deliverables will provide and its relationship to key value drivers established by the Steering Committee
- Be specific on accountability for delivery dates (hard and flexible deadlines)

3. SUCCESS MEASURES

- Outline what will mean that the team has succeeded
- Focus on mission-critical outcomes
- Define end states with timelines

4. KEY RISKS

- Outline key risks that the team must manage

5. TEAM

- Outline team members, their roles and responsibilities
- Be specific on what each team member will be accountable for
- Identify the lead and accountability at the lead level (i.e., cannot delegate accountability for the overall success of the project)

6. ECONOMICS AND RESOURCES

- Outline the business case if applicable and the expected resources (time, budget) required/allocated, including who is sponsoring the resources
- Specify who is accountable for overspend

7. COMMUNICATION, ESCALATION AND REPORTING

- Outline key stakeholders and frequency of communications/nature of reports
- Outline who the team is ultimately accountable to (e.g., the Steering Committee)
- Define key problem states to be escalated to the Steering Committee (e.g., team disagreements, bottlenecks or overspend)
- Establish the communication cadence for the team

8. CONSTRAINTS AND ASSUMPTIONS

- Outline what cannot change (e.g., mission and strategic objectives, budgets, timelines, systems)
- Outline what can change (e.g., tools, solutions)

9. SIGNATURES

- Include team lead signature on behalf of the team (the team must have consensus on the contents)
- Include approval signature for the party the team reports to (e.g., the Steering Committee)
- If required, include approval signatures for functional leads/resource sponsors

Bold Change

We share your passion for the future

HAVE CONFIDENCE IN YOUR GROWTH. CALL US TODAY!

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