Your Guide to the Next-Gen Future Finance Function
Questions & Answers

INTRODUCTION

As the pace of change accelerates, global events and shocks impact us all, and digitalization and “intelligent automation” change the way business gets done, businesses have had to adapt rapidly. The best businesses not only adapt, they face challenges head on and grasp the opportunities that arise. Finance teams have to do the same to stay relevant, keep up and support the business through all this, whilst still meeting Finance’s “accounting and control” responsibilities.
To help respond to these changes, we led a workshop earlier this month, focused on creating your next-generation future finance function. In the workshop, we introduced the concept of “One-Office”, explained the role of predictive analytics, intelligent automation, and digitalization on your future operations, and discussed how to create Finance teams that are trusted experts in their field. You can click here to find out more details about the workshop.

The workshop was well received and provided a solid introduction to the concepts of next generation future Finance. We have since taken the opportunity to pull together a comprehensive list of all the questions we received from practitioners during and after the workshop and have addressed them in a Q&A format below. We would encourage you to download our workshop presentation deck and/or watch the workshop recording before reading the list of Q&As below.

Q1: What is the difference between a "current generation" finance function that embraces leading practices and a "next generation" finance function?

A current generation finance function that already focuses on the needs of its various client groups, designs processes end-to-end, and achieves scalable support with some automation and technology enablement is already well on its way to being "next generation".

However, the key difference between today's leading practice Finance function and those moving rapidly to becoming "next generation" are the ones that truly leverage the very latest in advanced digital technologies and intelligent automation, and free up capacity to enable data-driven, knowledge and insight-based services, to support advanced business decision making.

The Finance function of tomorrow still needs to get the basics right, but will look at ways of simplifying, standardizing, and automating as much of this as possible, and will embrace the very latest tools and best practices to help enable this.

Finally, leading practices change and evolve, so if you are not continually researching, assessing and adopting the latest leading practices, you will not stay ahead of the curve for long.

Q2: How does the broad role of Finance relate to the concept of "OneOffice"?

OneOffice is in large part about teamwork, working more closely together, and designing processes end-to-end, across silos, and in an integrated and collaborative way.

The entire business and back office operating model is moving closer to the business, less "out-of-sight, out-of-mind" (which was the push for certain back office functions and services until quite recently), and much more integrated.

So rather than multiple, separate, disconnected silos, you have several parts of Finance coordinating closely together and with other parts of the business, contributing according to each part's intended role, to achieve the final successful outcomes.

It is still vital, and is indeed more important than ever, to have clear roles and responsibilities, both within and across Finance. But the integration and "proximity" (not necessarily physical) between teams and with other parts of the business is much closer in the new "OneOffice" world.

Q3: How do you measure the success of decision support/business partnering?

Decision support and Finance business partnering is defined as the assistance given to help consider, and then confirm a particular conclusion or resolution. The company's commercial and strategic activities are the key recipients of decision support. This support can be reactive or proactive, and the best decision support function can clearly demonstrate how they have influenced leadership and management decision-making.

It is important to realize that decision support is not mandatory. There are no laws or regulations that require an enterprise to have a decision support/business partnering component to its Finance function. Therefore, there must be a positive return on the investment in this service, otherwise it is actually value reducing rather than value adding.

One of the first steps to measuring the effectiveness of your decision support is to determine how much actual decision support/business partnering is occurring in practice, as opposed to the number of staff that many have "business partnering" in their job description. Therefore, we recommend that organizations clearly define what "decision support/business partnering" means in the context of Finance service provision, and then complete an Activity Based Analysis for end-to-end Finance to understand where and how this actually takes place.

Client Satisfaction is also a potential measure of the success of decision support/business partnering, but this probably works better for/is more relevant to mature decision support functions. It is not uncommon for clients to be very appreciative of their finance business partner, but when you drill down into the actual work, the business partner may act more as a liaison to finance supporting transactional processes and do very little actual strategic support. All this should be considered and assessed when trying to measure the success of decision support/business partnering provided by Finance.

Q4: What is robotic arbitrage and how does it specifically impact offshoring and outsourcing?

After making processes as efficient as possible (for example through internal shared services and implementing all of its key components), traditional options to achieve additional savings have included outsourcing or moving work to lower cost locations. However, today's technologies such as Robotic Process Automation (RPA), and Machine Learning (ML) enable organizations to automate much of this work and keep it "closer to home".

This can achieve similar benefits to traditional labor arbitrage without the pain of offshoring, such as setting up a new location, establishing legal entities, expanding your footprint in new countries, or engaging the contracted services of a third-party provider. That is why we call this the "robotic arbitrage" opportunity.

Q5: How do Finance, HR and other support functions align to each other under the concept of OneOffice?

It is essential to look at and design processes end-to-end, crossing traditional siloes, and to clearly delineate roles and responsibilities. All support functions should be encouraged to move closer to their respective clients (internal or external), while aligning the outputs of each support service more closely to each other. Again, as highlighted above, "proximity" does not necessarily mean physical proximity, especially in today's highly connected world, where one can go from zoom meeting to zoom meeting and work closely with teams all over the business and across the world from your home office location.

Q6: What are the basics needed to get started with these digital technologies?

This is basically the same as any transformation or technology enablement program, where we recommend a comprehensive understanding of the latest technologies, a detailed assessment and gap analysis, followed by a business case and roadmap. This would include understanding need and opportunities, the latest technologies available vs what is already deployed, costs and benefits and timelines, etc.

Q7: How do you get staff to embrace a digital workforce when they see it as a way of potentially reducing headcount?

We have addressed this question in more detail in our separate article "*Three Core Factors for Effective Robotic Process Automation (RPA) Change Management*". Similar to any transformation, simple headcount reduction should not necessarily be talked about, and may not even be relevant.

The Chazey approach is to first understand what people are feeling and perceiving about moving towards a more digital workforce versus what management assumes. The communication strategy needs to consider the non-financial benefits of the transformation that will resonate with employees and stakeholders, such as enabling staff to spend less time on non-value added work, learning the very latest in technology tools and trends, and providing high quality, consistent services.

If headcount reductions are a key part of the transformation goals, then spend time to understand employee concerns and how they could be potentially mitigated. Could you offer to manage any FTE reductions through natural attrition, perhaps supported by freezing vacancies? Can you offer retention bonuses and support to any staff who may be identified as redundant? Can you commit to finding new roles for redundant staff? What type of notice will be provided? What is the risk to the organization, if financial savings are not achieved? Answering these types of questions will support change management, even when significant headcount reductions may need to be part of the messaging.

Q8: How does the operating model relate to the OneOffice concept?

The operating model provides the framework and parameters within which the OneOffice will work. It also guides detailed process, organizational, service delivery framework, and technological design.

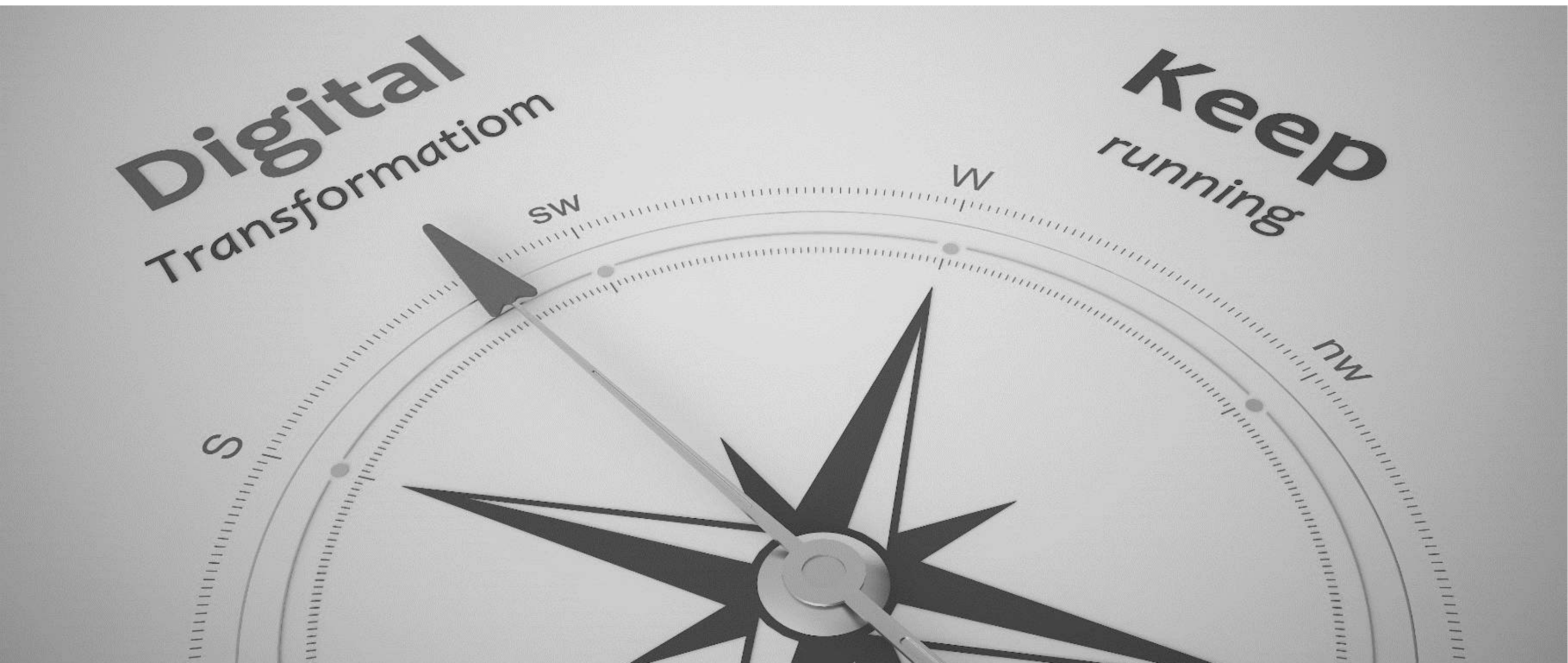
End-to-end process and delivery design within this will help enable the OneOffice by:

- Clearly identifying business needs
- Delineating roles and responsibilities, inter-connection points, dependencies, and handoffs, and
- Making commitments to clear outcomes and service standards, aligning more closely to the client (internal and external).

Q9: If budgets and capacity are limited, what are the most important enabling functions to implement to drive finance transformation?

We recommend the following three enabling functions, if there is limited budget and capacity:

1. Global business process ownership
2. Performance measurement with input, operational and output metrics
3. Client Interaction Framework (CIF) Team to provide capacity to support account management, performance reporting and continuous improvement (Please refer to Chazey's *9 key components to a Client Interaction Framework*).



Q10: Who owns the digital team – corporate, shared services/global business services, IT or operations?

It depends, and is often related to the stage of the organization's journey towards a digital future, and how much of an investment is made up front.

Many organizations want to prove the concept of "digitalization" by first piloting a team or set of automations with a limited scope. In this case, the initial push to digital might be owned by the specific department that is leading the initial charge and/or making the initial investment.

Over time, the organization might decide to build a Center of Expertise/Excellence (CoE) that has a critical mass of activities to build and strengthen digital competencies that can then be leveraged to support multiple initiatives across the business. This could be owned by a functional corporate department (e.g. IT or Finance) or be provided by a shared services/global business services team.

Alternatively, the enterprise may establish a more decentralized model with various teams owned by individual departments, according to their need for, commitment to, and comfort with digital strategies.

Another possibility is a hybrid model, with certain coordination and standardized services provided by a corporate/centralized department, while maintaining support for separate decentralized teams to support specific departmental requirements and deliver at the more "local" level.

(Please refer to Chazey's article of "*Implementing a Best-in-Class RPA Center of Excellence*" for more information on building a digital team).

Q11: Which of the Finance transformation barriers are the most challenging and which are less of a concern?

Our presentation outlined eight common barriers to Finance transformation. Addressing gaps related to expectation and skillsets can be amongst the most challenging from a people-perspective. This is no different to many transformations where you need to identify the gaps related to personnel and mitigation strategies such as training, recruitment, attrition and transfers, plus effective communication and change management.

Manual and messy processes are also a common current state characteristic, but should be less of a concern as these can be addressed by a robust digital implementation strategy. Specifically, we would recommend process optimization, standardization and documentation as the foundation to any digital initiative.

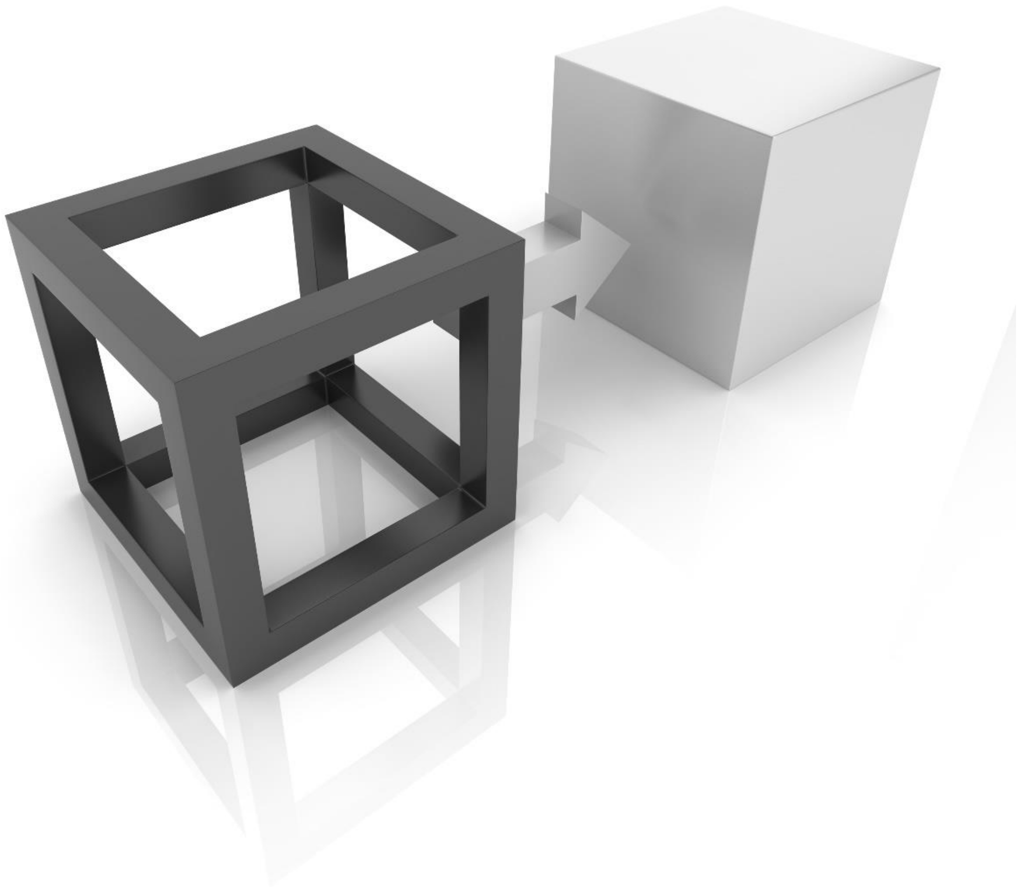
Managing your organization's response to the global pandemic and economic recession is a more recent barrier. This response can absorb capacity for change and resources for investment, although many organizations are using the pandemic and recessions as a burning platform to enable and accelerate valuable change.

Q12: Organizational vs. System Changes – Which changes should come first?

There are three basic routes to transformations that involve technology: (option 1) system changes first, then organizational; (option 2) organizational changes first, then systems; (option 3) complete organizational and system changes at broadly the same time.

We typically recommend a hybrid of organizational and system changes at the same time (option 3), and system change that takes place following organizational change (option 2). One should develop a business case and roadmap that includes specific technology assumptions for what can be implemented to support the go-live of the new operating model, and also outlines what additional technology will be brought online after the initial go-live.

We usually do not recommend implementing a common technology platform first and then following this with organizational change. This is essentially assuming that technology will be a silver bullet and that is not often the case, and can also result in a poorly designed technology template that does not meet the actual needs of the business across all teams, locations, and functions. Technology alone will not drive transformation. You need to consider all four of the critical success factors: Client, Process, Technology and People.



FINAL THOUGHTS

"Many finance leaders have started embracing digital technologies as businesses race to meet today's challenges and to realize the benefits of expanding digitalization and automation capabilities. However, technology alone is not the answer.

To transform your Finance team **from *Finance-as-a-Function* to *Finance-as-a-Service***, a first step should be a comprehensive assessment of the current state and readiness of your Finance function today, and then to compare this to business needs and opportunities, latest technologies and "the art of the possible".

Finance leaders are recommended to develop a robust approach and operating model, that includes, covers, addresses and leverages all four of the critical success factors: Client (internal and external), Process (end-to-end and integrated as much as possible), Technology (including the latest in Digitalization) and People/Organizational Design."

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