

# Chazey Partners Inc

## Moving from “Finance as a Function” to “Finance as a Service”

*Understanding the Role of Finance, and Providing an Integrated Service Offering,  
Supported by Cross-Functional Partnerships*



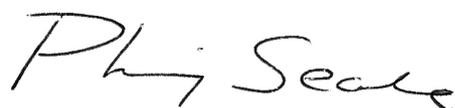
# Chazey's Viewpoint

Finance leaders around the world are, at the same time, facing new challenges and being presented with new opportunities. In order to meet these challenges and harness these opportunities, Finance needs to be efficient and effective, and also integrated and flexible. But there are often significant internal hurdles that need to be overcome to enable this to happen. This article provides a roadmap for Finance executives who want to take up the challenge to build a modern, flexible and integrated Finance function, that not only meets its “back office” and “compliance” responsibilities, but also serves and supports the business, both commercially and strategically, within an acceptable risk framework. It lists priorities, analyzes reasons for failure, and emphasizes the importance of strategic relationships.

With decades of experience in Finance Transformation across multiple industries, regions and jurisdictions, Chazey Partners' functional experts, together with our tried and tested

tools and methodologies, can help you assess your Finance organization and its capabilities to develop and roll out a pragmatic transformation program, and to achieve a tightly integrated implementation. Our people are practitioners who have actually run Finance organizations and Finance streams for businesses of all sizes, including large multinationals. We have turned around failing Finance teams, optimized working capital, integrated acquisitions, supported commercial decision-making, spun off businesses, transformed the Finance “back office”, rolled out new technologies, and met multiple legal, statutory and tax reporting requirements all over the globe. We would be delighted to partner with you on your transformation journey – so please do not hesitate to contact us if you think we can be of assistance in helping you to achieve your Finance and business goals. I hope you get some benefit and value from reading the following article. I would welcome any feedback, comments and questions.

Phil Searle  
CEO and Engagement Partner  
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*Finance is taking a significantly broader decision-making role in today's enterprises, driving business insights and intelligence, including enhanced data analytics, to support the business in achieving its growth and profit objectives. Finance's role today, in addition to its traditional "back office" and "compliance" responsibilities, is to support better decision-making on the basis of better intelligence, whilst also ensuring that this is done in a controlled fashion.*

So, what is being done to change this?

## Developing Strategic Relationships

Finance leaders already know that they cannot operate effectively in isolation. They are reaching over functional walls, and forging strategic relationships with Sales, Supply Chain, IT, HR and other leaders within the enterprise to collaborate more holistically across the organization.

A Hackett Group report\* reflected the importance of developing business partnerships, with 54% of those asked listing "deeper business partner relationships" as priorities for the year (see Figure 1).

Figure 1: Business Partnering Priorities in 2014



Source: Key Issues Study, The Hackett Group, 2014

The relationship with IT, particularly, warrants mention as Transformation will often be supported, or enabled, by new technologies. It is only by collaborating closely that Finance can prioritize the right technology decisions. According to a recent Gartner survey\*\*, the CFO is taking a leading role over technology decisions and investments, and 39% of IT organizations now report to the CFO (more than report to the CEO).

## Managing Competing Priorities

Across the world, Finance functions are facing challenges in managing competing priorities. These challenges are driven by:

- Changes in regulatory landscape, especially as business growth requires entrance into new markets
- Demands by the business for more data-based insights of a predictive nature, to support faster and more effective decision making
- Increased transparency, in the face of sometimes skeptical stakeholders
- Better controls and risk management
- Improved use of new technology for greater effectiveness
- Attracting finance talent in the face of strong competition

## What is the Role of a Modern-Day Finance Function?

Today's expanded scope for Finance includes:

- **Compliance...** in the face of changing rules and regulations across all jurisdictions.
- **Business Services...** covering people, processes and activities in support of ongoing business operations, including what has often been called providing "back office" services.
- **Business Support ...** covering people, processes and activities that are not mandatory, but support and add value to the business (there is an investment here that requires delivering a "return").

In addition, where Finance once saw its role as mainly "compliance and reporting", today this has shifted more to decision support, which includes, for example, data analytics, interactive forecasting, pricing and investment strategy, analysis of commercial alternatives, and evaluation of strategic initiatives. The Hackett Group report referenced earlier supports this shift in priorities: Finance leaders indicated their key focus areas were maintaining a manageable cost structure, enabling effective decision-making, and adding value to the business overall. And while the business environment continues to be characterized

by high volatility and risk, the latter, according to Hackett, is today being fuelled as much by competition, regulation and talent, as it is by fluctuating demand. The ultimate measure of Finance's performance, therefore, is its ability to support the business strategy.

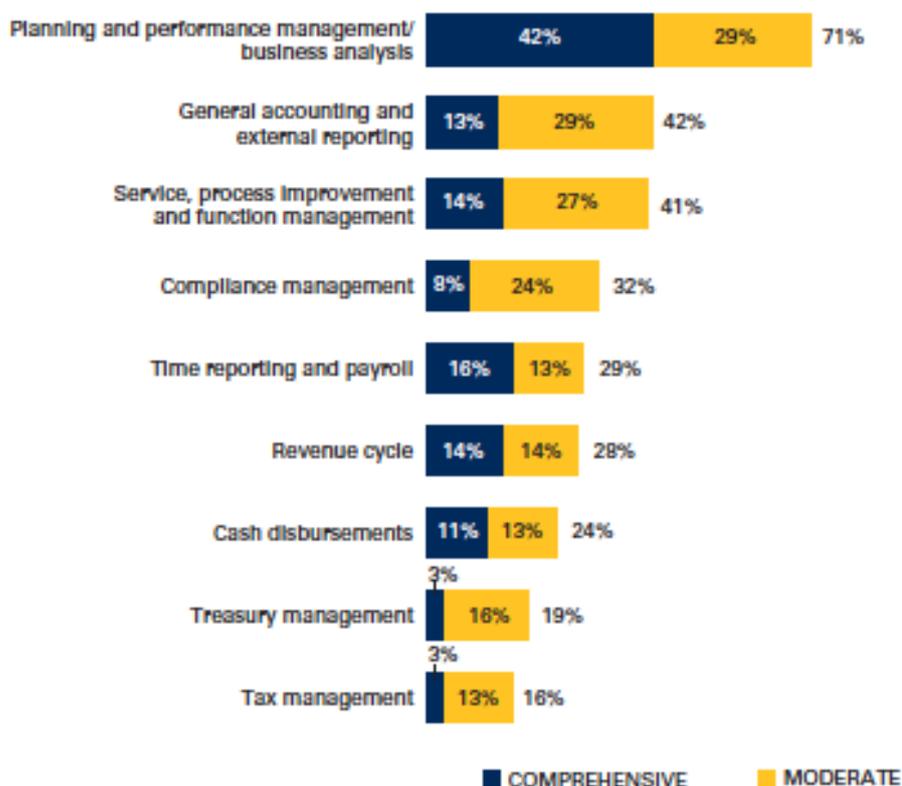
## Finance Transformation

This drive to developing more efficient, effective and supportive operations, as driven by Transformation, is sometimes described as "doing more with less." In fact, it goes a lot further. Transformation requires investment that significantly improves the value and service of Finance, and today extends beyond the transactional, into professional and technical services, commercial decision support, and strategic planning.

Transformation initiatives include driving greater awareness and understanding of the role Finance can play, benchmarking, developing shared services models, outsourcing, new technology, and leveraging multi-locational service delivery. There is, in fact, a real trend and desire for Finance to move from being "Finance as a Function" to becoming "Finance as a Service".

According to The Hackett Group, "planning and performance management/business analysis" leads the list of areas in which Transformation will drive improvements through the Finance function (see Figure 2).

Figure 2: Finance Process Transformations Planned Over the Next 2-3 Years



Source: Key Issues Study, The Hackett Group, 2014

Finance today straddles both the commercial as well as the strategic aspects of organizations. This modern Finance function is also characterized by standardized processes, automation, and business-enabling intelligence. Making this shift requires commitment to change. Transformation lies at the heart of this journey.

## What Are the Barriers to Transformation?

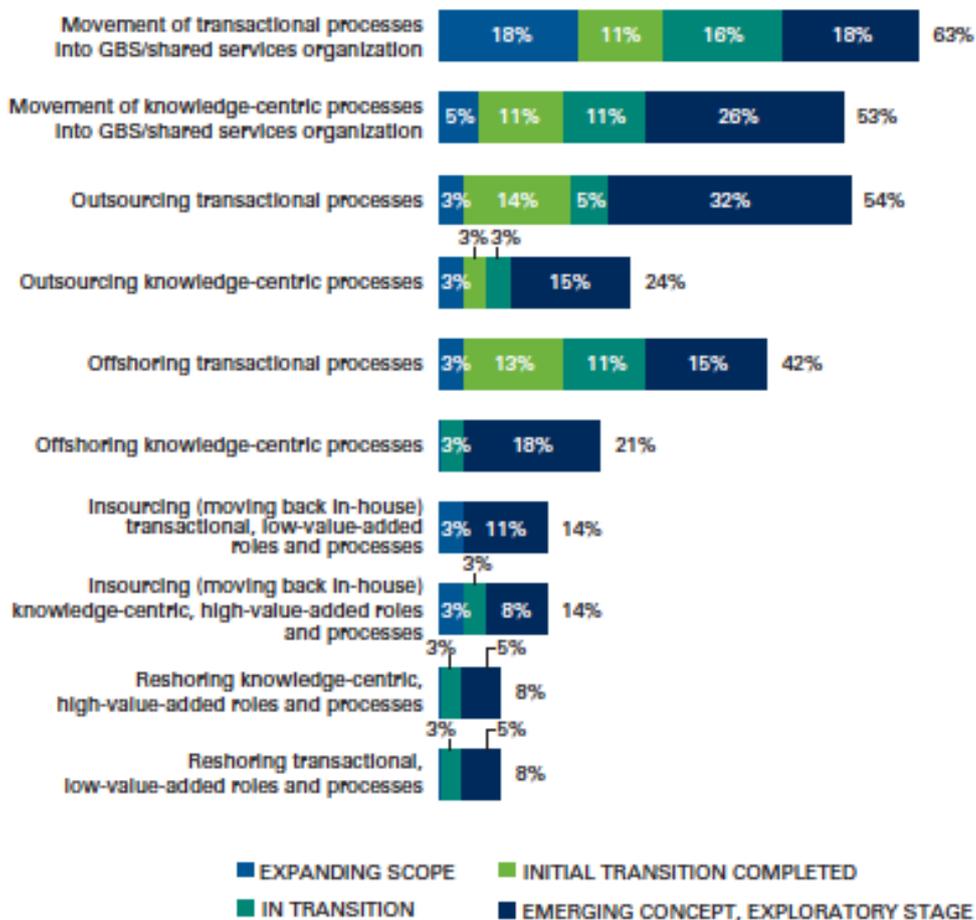
While the rationale for change may be clear to Finance leaders, the business is not always equally on board. Some of the issues that limit or hold up Finance Transformation include: general lack of support from senior and middle management, who may prioritize externally- or sales- focused initiatives or fear a loss of independence and/or control, lack of skill sets necessary to make change happen, risk aversion regarding the complexity of change, lack of enthusiasm or support on the part of employees, and absence of enabling technology or of investment appetite for this technology.

## Shared Services: Tool of Choice for Driving Change

As its role expands beyond pure “transactional and administrative back office services” and “compliance” to embrace professional and technical services and business decision support, many Finance functions are recognizing the validity and value of the Shared Services model, and are embarking on large scale, multi-year Transformation programs to get there.

Shared Services remains one of the most important tools of choice in support of Finance Transformation, with nearly two-thirds of Finance practitioners questioned in the course of Chazey’s own research confirming that they used it as a means to assist in transforming operations (other tools that rated highly include ERP systems, standardized processes, and leveraging Centers of Expertise). Hackett’s research\* also finds that nearly two-thirds of organizations questioned have already moved to, or are planning, some form of Shared Services model for transactional processes, and 53% have already shifted knowledge-centric processes and activities into Shared Services, or are planning to do so. However you look at it, Shared Services is part of the solution (see Figure 3).

Figure 3: Service Placement & Sourcing Strategies for Finance



Source: Key Issues Study, The Hackett Group, 2014

Shared Services allows Finance to leverage the benefits of standardization and process optimization that are the foundation of this model. It also acts to enable Finance to spend more time, energy and resources on business support (sometimes also called “business partnering”). In addition, Shared Services opens the door to smart-sourcing, where outsourcing can and often should be included as part of delivery to take advantage of cost savings, to increase flexibility, or to access newer technology – often key drivers for adopting hybrid practices. Outsourcing’s main attraction lies in its access to low cost FTEs, process expertise, and investment in state-of-the-art technology for the process at hand. However, it is absolutely critical that Shared Services/outsourcing is supported by a comprehensive Client Interaction Framework (CIF). Get more information on how to develop a Client Interaction Framework at [www.chazeypartnersinc.com](http://www.chazeypartnersinc.com)

## Tracking Effectiveness

While Transformation drives a number of newer strategies that impact decision-making, most of the measures tracking its effectiveness to date are still grounded in cost or boosting service levels (both rated over 60% in Chazey’s own research\*\*), however, we expect “direct impact on business outcomes” to increase rapidly in terms of importance, reflecting the shift in enterprise priorities.

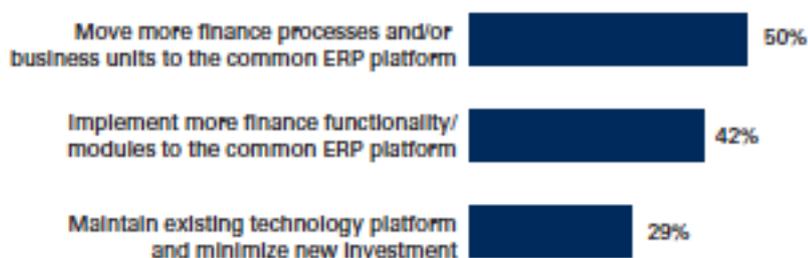
## Technology’s Role

While the importance of collaborating with IT has already been mentioned, standardizing ERP systems and ensuring access to technology enablers is not the whole story. Technology is never a panacea – merely an enabler, though a crucial one. Some of the applications that have proved successful in driving positive transformation and change include:

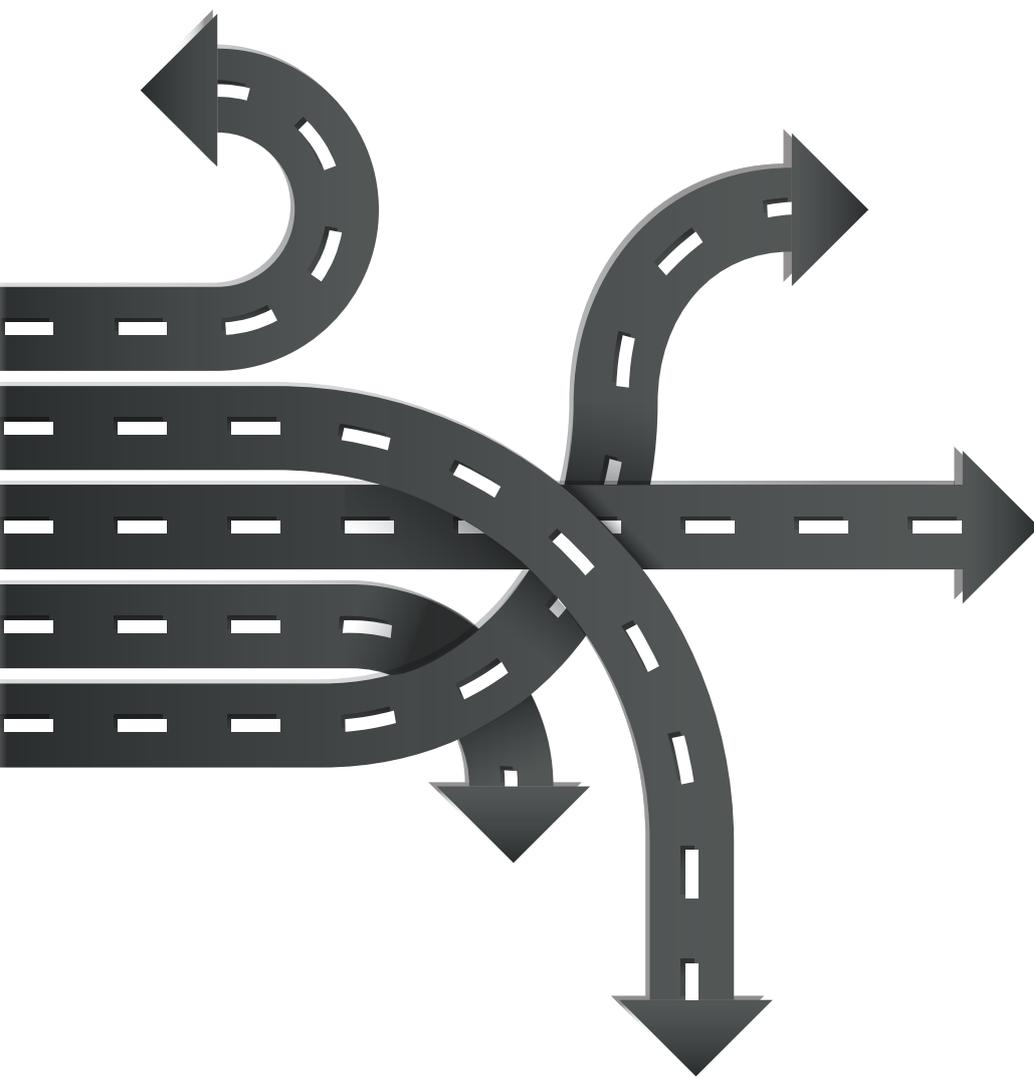
- Enterprise Resource Planning (ERP) solutions, moving as much as possible to one instance
- Imaging/Document Archive and Retrieval Technology
- Automated workflow
- Optical Character Recognition Software (OCR)
- E-Invoicing networks
- Electronic Funds Transmission
- Evaluated Receipt Settlement (ERS)
- Electronic Data Interface (EDI)
- Interactive Voice Response (IVR)
- Vendor Managed Inventory (VMI)
- Web Invoice Enquiry & Approval
- Web Portals
- “Packaged Solutions” (ERP Technology Partners)
- Emergence of “Middleware” and “cloud based” solutions

Half of the Finance leaders questioned by The Hackett Group\* say that they plan to move more Finance processes and business units to a common ERP platform, and a significant proportion are planning to implement more Finance functionality to their ERP platforms (see Figure 4).

Figure 4: Technology Priorities in 2014



Source: Key Issues Study, The Hackett Group, 2014



## Critical Success Factors

The success of a Transformation initiative hinges on adequate preparation across a number of areas, including customer, technology, processes, and people. Understanding and meeting the needs of your internal (as well as your external) customers is a crucial factor, and needs to be based on a service-oriented understanding of your customers' requirements.

This applies to all areas of "Finance As A Service" and not just the back office. As mentioned earlier, Finance time and resources spent on "Business Support" must show a return on that investment. There is no law, statute or compliance/reporting requirement that requires Finance to provide these "Business Support" services. They are provided to support the Business in growing profitably and within an acceptable control and risk environment, in line with the enterprise's global strategy. But they, of course, come at a cost. So they must prove their value. In addition, the Client Interaction Framework (CIF) is just as relevant to these more "front office" focused Finance services as they are to the back office Finance services. It is critical to understand the needs of the client – both internal and external, at the corporate, regional and local levels – and how to most effectively and efficiently meet

those needs. All components of the Client Interaction Framework apply, although they need to be adapted differently when providing services to the "front office" teams, such as Sales, Operations and Supply Chain, wherever they are located.

There is a phrase that comes to mind here as well, which is well worn but very much applies: "Think Global but Act Local". In short, this means: Think about and deliver on the global, enterprise wide needs of the business, and do this in as standardized and controlled a way as possible, but always meet service needs at the local level, including meeting any appropriate and agreed "unique" requirements (e.g. local country requirements, local customer specific requirements, etc.).

Technology, as already mentioned, is part of the solution. Self-service, scanning, workflow and automation are all part of a modern day Finance function. As new technologies like Robotic Process Automation appear on the horizon, Finance leaders should be prepared to take the initiative where appropriate, to gain a competitive advantage through early implementation.

While Finance has always been about “process”, Transformation shines a different spotlight on activities, specifically recognizing the value of “end-to-end” processes and services. Understanding, documenting, standardizing where possible, and measuring each process promote greater efficiency.

Finally, people are still your most valuable asset. The success of any transformation hinges on your team’s understanding their roles, being equipped and skilled to deliver within those roles, acting as good ambassadors, and working within a culture that promotes excellence in service and understanding (see Figure 5, below).

Figure 5: Critical Success Factors





Finance can be evaluated according to how well it aligns to various characteristics such as Business partnering, process delivery, strategic support, and compliance or control. The diagram below (Figure 6) illustrates and supports the transformation of the Finance function by acting as a “lens” through which Finance as a Service can be viewed and evaluated. Indeed, this chart can be used as a “compass” to help steer the course of Finance Transformation by determining, for each service line and activity, where the priorities lie and where the compass should be “pointing” (e.g. more towards strategy, or more towards process, etc.).

Figure 6: The Role of Finance



## Key considerations when planning Finance Transformation:

1. Senior level Executive sponsorship is critical. Make sure that key executives understand and support the rollout.
2. Distinguish between “solutions” vs. “quick fixes”. Some organizations jump the gun and don’t think things through completely.
3. Understanding your organization’s culture is critical to understanding the “framework” and boundaries within which Finance Transformation can be implemented.
4. Base-line properly and develop a business case. It is easy to spend a lot on change initiatives; but it is also possible to spend much less and get a much better result.
5. Do not underestimate the change management required. Finance Transformation affects people, processes and organizations, and often needs to break down long-standing behaviors and beliefs.
6. Assign your best resources and people to the project. Success will be “mission critical” to the success of your organization, so make sure you give it the best chance.
7. Follow the “80/20 rule for shared services ERP” when deciding whether to use “vanilla” ERP functionality. Don’t customize or use additional technology unless absolutely necessary. But where it is absolutely necessary, make this exception.
8. Engage expert outside help as necessary, but don’t abdicate responsibility for the project to a third party consulting firm. You own the ultimate solution and will need to make it work once the consultants have exited the building. But don’t try to do the whole thing on the cheap. A partnership approach is the best way to proceed.
9. Remember that the project does not end with “go live”. There needs to be adequate support post go-live as well as continual training and re-training.
10. Keep working towards your goals relentlessly.

### Footnotes

\* 2014 CFO Agenda - Recalibrating Finance to Deliver Greater Value – The Hackett Group

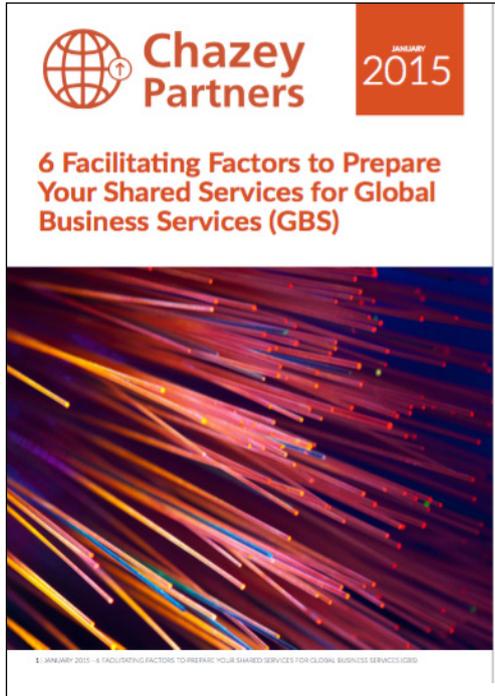
\*\*The CFO's Six Technology Imperatives: Results of the 2013 technology issues for financial executives survey [Gartner] – the Financial Executives Research Foundation

\*\*\* Chazey Partners: Survey of Finance Transformation, 2005

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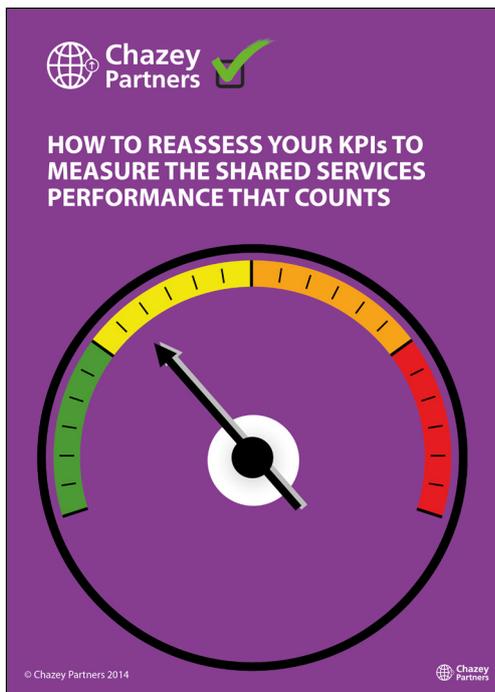
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## Beyond Traditional Shared Services: Global Business Services

In this article we highlight some of the “facilitation factors” that support a shift to GBS, and take a closer look at some of the characteristics that define successful Global Business Services models.

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## How to Reassess Your KPIs to Measure the Shared Services Performance that Counts

While most operators prioritize Key Performance Indicators and SLAS when launching Shared Services, a year into service delivery results are often disappointing – and that, despite these KPIs being met. What’s the problem?

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# Chazey Partners Inc

Chazey Partners is a practitioners-led global management advisory business. We bring together a unique wealth of experience, empowering our clients to strive for world-class excellence through Business Transformation, Shared Services & Outsourcing, Technology Enablement, Process Enhancement and Corporate Strategy Optimization. We pride ourselves in having built, operated and turned around some of the world's most highly commended and ground breaking Shared Services Organizations, and for implementing many highly successful multi-sourced (shared services and outsourced) delivery solutions. Over the last 20 years, we have delivered numerous programs globally, in the US, Canada, UK, Continental Europe, Ireland, India, Eastern Europe, South America, Singapore, Australia, China, Middle-East and Africa. Our experience covers both Private and Public Sectors, providing expertise in a wide spectrum of business functions, including Finance, HR, IT and Procurement.

Learn more about us at [www.ChazeyPartnersinc.com](http://www.ChazeyPartnersinc.com).



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