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Reinventing Business Processes for a Modern Finance

HOW DIGITIZED BUSINESS PROCESSES CAN HELP CFOS BECOME STRATEGIC PARTNER TO THE BUSINESS?

In the finance world, innovating and simplifying processes can seem a daunting task. Change seems uncomfortable when business methods, tasks and technology have been in place for a long time.

However, with rapid digitisation and the introduction of new regulations on tax, VAT and accounting standards in the Gulf Cooperation Council (GCC), staying in the status quo can put you at risk.

The Process report is a guide for CFOs looking to switch to a modern finance model and make their organisations fit for business in the 21st century. It suggests a rigorous step-by-step method, with an initial phase of assessment, followed by the formation of a clear strategy, the selection of the right technology and vendor, and finally, ways to get all the stakeholders on board.

INITIAL ASSESSMENT AND MAPPING OUT A STRATEGY

It is important to adopt a structured approach when seeking to improve existing processes in the finance department.

First comes the assessment phase where CFOs need to take a look at existing processes and current levels of efficiency and identify what could be simplified and improved.

CFOs need to ask themselves and the rest of the finance team questions such as: How are paper documents stored? Do they need to be exchanged between people, be moved round between offices, could they easily get lost? What data or information needs to be easily and quickly accessible? Is data entered more than once to update several non-integrated systems? What's at risk in terms of security? Is there a 'single source of truth' providing a full, accurate and real-time picture of the business finances?

To gather this information finance leaders can use multiple techniques: surveys, questionnaires, face-to-face or group meetings, or workshops.

A holistic approach to change

After identifying the sources of existing and potential issues, CFOs also need to consider the potential impact of these changes on other stakeholders.

"I would urge CFOs to look at the bigger picture when looking to make any decision on introducing a new or improved process. Consider what the desired outcome is and consider the impacts any changes will have, not just on the finance department, but on everyone who interacts with it, such as customers and other employees," says Steve Currie, General Manager of Dubai-headquartered business services marketplace Taskgate.

"It's easy to just focus on how a change will affect a team or a department but CFOs, as leaders, need to look at how the change will affect the wider group and even those outside of the organisation," he adds.

With the rapid digitalisation of the workplace, he believes companies that are not willing to challenge pre-existing processes and make changes will find themselves becoming irrelevant.

"Out-dated processes are costing companies heavily in both time and money. Too many of them are still relying on working practices and processes that have been in place for years and are oblivious to the need for modernisation. Some have the mindset that 'it's always been done like this so I'm going to keep doing it this way', but this attitude has to change."

Other considerations when embarking on a journey of optimising processes include how much training people will require to use the new processes, how to monitor the efficiency of the new processes, what the right metrics will be, what the budget is, as an example.

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AUTOMATION

Most organisations in the GCC have already started to invest in IT infrastructure to modernise the finance function with varying levels of sophistication and capability.

However, there still exists a huge opportunity to further automate key administrative and operational processes to make a significant impact in terms of efficiency and cost reductions.

Freeing employees from menial tasks

Finance teams can leverage technologies that automate the upstream process and should rely more on automated input from employees for administrative tasks as opposed to centralising some of these non-value add tasks.

This is a key point because people are a business's greatest assets. To make the best use of their time, finance leaders need to free the members of the finance team of repetitive, low-value and labour-intensive tasks. Not only are manual methods time-consuming, leading to long close times, they also make it impossible for the finance department to anticipate.

CFOs therefore need to identify what is currently input in spreadsheets that could be automated, including: financial reports; operational analysis; KPIs; metrics; deferred revenue management; budgeting and forecasting modelling; allocations; expense reports; timesheets, etc.

By further automating key administrative tasks, finance teams can improve accuracy in financial statement reporting which takes up a significant amount of manpower for every finance department. Additionally, the time savings resulting from reduced administrative work will allow finance teams to spend more time on value-adding and strategic initiatives.

Steve Currie of Taskgate says automating processes is a step in the right direction when it comes to driving modern finance. "Too many companies in the UAE have overstaffed departments with people wasting their time and company resources doing things that can be more effectively handled through automation."

When the finance department drags the whole business down

Currie says that another benefit of automating processes is the ability to have clarity on other parts of the business. "Automation is often about getting your house in order and once things are running more efficiently in one area, it frees up time to look at what else can be innovated and add differentiating value to the business."

He cites the example of a client who was struggling to keep operating. As is typical in many small organisations in the GCC, the finance department was overstretched and using old-fashioned methods that was hindering the business's progress and was also quite expensive to run.

"They had a finance team of two who were using numerous spreadsheets to keep track of the accounts, manually creating invoices and generally not working efficiently. They introduced cloud-based accounting software which saved them so much time that they were able to reduce their workload and engage a flexible worker to support the business two days a week to give the support required. They have managed to reduce their staffing costs while improving their efficiency."

IMPROVING DATA COLLECTION

Over-reliance on spreadsheets is typical in the finance departments of GCC firms. Yet this process makes businesses more vulnerable to data errors or mishandling, and also stops firms from properly using analytics to derive business insights from the data.

The case for improving data collection processes is pressing and further reinforced by the growth of the data universe. Research by Marketsandmarkets suggests that the big data market in the Middle East will increase from U.S.$28.65 billion in 2016 to U.S.$66.79 billion by 2021, which represents an annual growth of 18.45% (CAGR).

"The big data market is witnessing a rapid growth due to the tremendous increase in organisational data. Enterprises have deployed the big data solutions to analyse and manage the data generated to assist a quick decision-making process. Additionally, the increase in number of mobile devices and apps, and the organisations shift from analogue to digital technologies are some of the drivers driving this market," the Marketsandmarkets report says.

Big data under-used by GCC firms

Faced with a vast and growing mountain of data, firms in the region need to be prepared or risk drowning in a sea of unsecured and under-used information.
Errors in data collection are hindering current efforts to modernise finance and create a compliance risk. This is a challenging issue for firms in the GCC already under pressure due to the macroeconomic context.

"Recent economic downturn, continuing uncertainty, and growing competitive pressure have collectively forced CFOs to adopt austerity measures across industries in the region. Many firms have initiated cost optimisation measures (including workforce trimming, product rationalisation, opex optimisation, etc.) and postponed several key investments," notes Amit Ray, Managing Director, Protiviti Member Firm, Middle East.

"Several CFOs are now facing the brunt of inadequate data collection, management, and consumption practices, as difference between growth and stagnation rests directly on a firm's ability to extract critical insights, understand trends, and predict direction."

Ray remarks that some large firms in the region face serious issues in realising the asset value of their data. "Even firms from data centric industries such as Telecom, Retail, Transportation, Aviation and Banking are facing issues related to data collection, management and dissemination. This is because firms that faced rapid growth and expansion across the region, did so at the cost of robust data management practices. In several cases, home-built IT solutions lacked the adequate impact assessment and stakeholder oversight that are key to data quality."

He notes that some firms with well-defined data management frameworks could not manage rapid changes in technology and therefore architectures, while some firms have organisational deficit and have cross functional teams that develop aggregated data collection and management strategies; finally, he points out that some firms simply did not account for the various uses of data at various stages along the lifecycle of the firm.

TECHNOLOGY & CHANGE TOOLS

Ray identifies two key areas to address to avoid data collection issues: first ensuring fresh data is captured in terms of both adequacy and quality; and then ensuring existing data is validated and verified.

For both, he argues that the solution has three aspects: People, Process and Technology.

"Data quality exercises and resistive data loads will help identify data issues, and can be a starting point. After that, people with the right knowledge, accountability and authority should be empowered to guide and course-correct the data collection and correction processes. Additionally, they should also identify other key processes that need to be changed," he explains.

"Selecting a technology to support these activities will depend on the applicability, extensibility and maturity of the existing technologies."

Ray believes the overall solution requires one or more of the following: guided process workflow enablers; data quality assessment tools; change management tools; structured IT implementation and oversight tools, and continuous monitoring and governance solutions.

Cloud systems to optimise processes

Undoubtedly the cloud will play an increasingly important role in improving processes and modernising finance due to the flexibility it offers.

“Cloud-based systems enable remote access to documents, apps and communication tools which, in turn, mean companies no longer need to have huge expensive in-house teams. They can make use of the skills available from remote flexible workers who can work just as well remotely as they can from the office. It also means updates cause the minimum of disruption to workers whilst ensuring their system is up to date at all times,” says Steve Currie.

Furthermore, organisations adopting cloud-based solutions will reduce their cost structure in terms of capex and enjoy the additional downstream benefits of working with a centralised and highly secure infrastructure.

It also allows greater employee mobility. Mobile-based applications to obtain employee input into key administrative tasks owned by HR and finance will save them a considerable amount of time.

The advanced accessibility features of these platforms, will also give HR and finance the opportunity to empower employees since they enhance collaboration, but also motivation, as they enable them to track their own progress real-time.

On top of enhanced collaboration, flexibility and cost optimisation, the cloud, because it is an embedded solution, gives the finance team the agility required to respond to future regulatory change, thus increasing business compliance.

Enhanced security

The Cloud is also synonym with enhanced security, which traditional, on-premise IT solutions are increasingly failing to deliver.

PWC argues that the Cloud is ‘foundational’ to the integration and management of the “many moving parts” of a threat-management programme.

“A cloud-based model can deliver computational power to monitor and analyse all digital interactions and create a unified repository of information to generate actionable intelligence in real time,” the firm says in its recent Global State of Information Security Survey 2017.

By allowing a holistic approach to security, and the opportunity to take swift action, Cloud computing services are currently the best solution to protect enterprise and customer data in order to, ultimately, ensure a business reputation remains intact.

V. CHANGING MINDSETS: ACHIEVING TRANSFORMATION

Finally, and this is possibly the hardest challenge, to reap the benefits of modernising finance, finance leaders need to ensure that all members of the organisation are on board to improve existing processes.

This may require a look at the overall culture of the enterprise: is the company an environment where collaboration is encouraged? Can employees freely talk about their challenges? Are they given regular training? Are they provided with the latest technologies? Are their skills often updated?

In an organisation where most of the answers are ‘no’, there will be even more resistance to change and finance leaders will have to work closely with the human resources department (HR) to establish the right strategies.

Resistance to technological change is natural since many will fear that improving and automating processes will reduce the need for as much human input and lead to a reduction in headcount. However, fears can easily be alleviated.

Communication is key

A good starting point is making the value of the process changes immediately apparent to all. Any new solution introduced to organisations must deliver an experience that is an order of magnitude better than their current processes.

Good communication is vital. Teams and individuals who are

consulted on the change process are a lot more likely to accept it and hopefully fully embrace it. Transparency and openness into why the change has been made and what the expected benefits will be will help towards gaining the 'buy in' from staff.
"The Middle East is a very traditional market. For many, business has been done the same way for decades, but now technology is opening up new ways of working that even the most resistant of companies are having to wake up to the idea that they have to change to stay relevant," Currie remarks.

Conclusion

Costly, inflexible legacy infrastructure is simply unsustainable and unsafe.

Meanwhile, advancing the digital capabilities of the workforce or even completely automating processes and tasks provides enormous potential for productivity gains in a region that lags behind when it comes to digitalisation, according to McKinsey's 'Digital Middle East' report.

Its research shows that as many as 45 percent of the activities individuals are paid to perform can be automated by adapting currently demonstrated technologies.

This means that, on the one hand, nearly half the tasks performed by individuals in a company can be automated. On the other hands, it confirms that humans will remain essential to run even highly automated organisations.

Technology, rather than completely replacing the CFO and the finance team, will empower them. By augmenting their business acumen with innovative technology, CFOs will then be able to make a greater contribution to the finance organisation and help businesses remain competitive in a fast-changing and challenging market.