Ventana Research

Research Perspective

Five Ingredients for Finance Transformation

Technology Can Help Refocus the Mission of the Office of Finance

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A New Mission for Finance

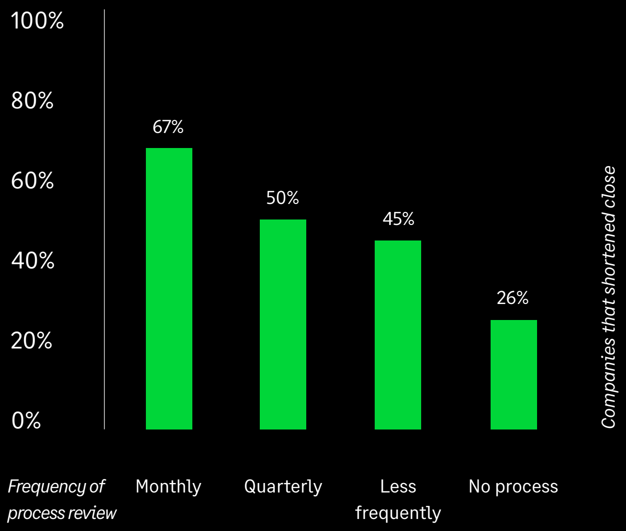
Over the next 10 years, technology will do more to change the finance and accounting organisation than it has over the past 50. A spate of advances in databases, data processing, analytics and tools addressing the user experience as well as the application of artificial intelligence will free up much of the time now required by unproductive manual processes. This will allow the chief financial officer and controller to refocus the mission of the department and will enable it to realise the longstanding ambition of finance transformation: becoming more of a strategic partner to the rest of the company. There are five areas most finance executives will need to address to realise this transformation.

1. Invest in People

Change management is often the most difficult aspect of a major corporate initiative. In this instance, leadership and communication from senior finance executives is essential to define and explain the changing mission. Ensuring that the staff is ready for transformation will require ongoing investment in their skills. Moreover, it's essential to instill a continuous-improvement mindset, one where "we've always done it this way" is no longer an acceptable rationale. Our Fast, Clean Close benchmark research reveals a correlation between a department's ability to shorten its close and how frequently it reviews its process to identify and address issues. Two-thirds (67%) of organisations that review their process monthly are able to shorten their close, compared to 50% that review quarterly and just 26% that have no process.

Continuous Process Improvement Delivers Benefits

Frequent reviews help shorten the close



Source: **Ventana Research Fast, Clean Close Benchmark Research**

2. Keep Technology Current

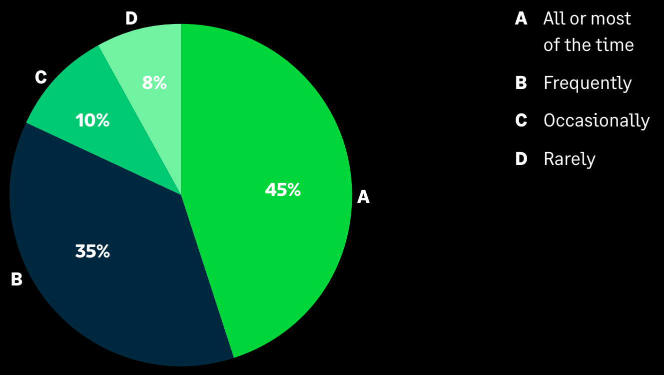
Technology is also an important ingredient in finance transformation. The right technology automation can remove unnecessary process complexity. Technology can save time — time that the department's staff can use to accomplish more and provide greater value to the rest of the company. Our Office of Finance benchmark research finds that companies that use software to automate their close finish sooner. 71% of organisations that apply a substantial amount of automation can close within six business days, compared to 43% that apply some and only 23% that apply no automation. Closing sooner means that vital information is available sooner, providing deeper insight and enabling broader visibility.

Artificial intelligence using machine learning will become an increasingly important capability of financial management and ERP systems over the next decade. With it, departments will be able to automate and streamline repetitive tasks that require limited judgment. These time savings will provide staff more time to focus on the work that requires their judgment and experience.

While software doesn't rust, it does become obsolete. Working with an outdated financial management or ERP system can prevent a company from having all the information it needs at its fingertips to measure and improve performance. This can undercut the department's productivity. And although spreadsheets are indispensable, they're the wrong choice for any collaborative, repetitive enterprise process involving more than five people.

ERP Users Need to Collaborate

Tasks often involve colleagues



3. Optimise Processe

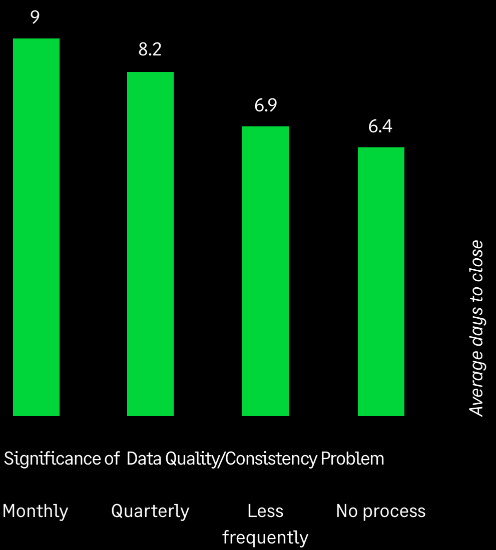
Finance department work is often collaborative. More than half (55%) of participants in our benchmark research on financial management or ERP said that their work requires collaboration frequently or most of the time. So it's important to instill a continuous improvement mindset and explore ways to improve coordination and hand-offs. Organisations must make a purposeful effort to refine processes whenever necessary. Our Fast, Clean Close research reveals that the most frequently cited reasons for shortening the close process are having more time for analysis, auditing before publishing financial statements and getting financial and managerial information out sooner. The right software can be a catalyst that accelerates a process such as the close.

4. Focus on Data Quality

Poor administration of data is a root cause of heavier-than-necessary staff workloads. As is the case in manufacturing, designing quality into the data management element of business processes pays dividends. Finance organisations that have significant data quality issues on average take almost three days longer to complete their close than those that have few or no problems (nine days versus 6.4 days). A lack of data quality control leads to the need for time-consuming reconciliations and checking for errors, or time spent and costs incurred dealing with the consequences of unchecked errors. Data quality is also an important reason to avoid using spreadsheets in enterprise accounting processes. Our Spreadsheets in the Enterprise benchmark research finds that 35% of participants encountered errors in data and 19% found errors in formulas in the most important spreadsheets that they use in their jobs.

Data Quality and the Close

Quality data shortens time to close



5. Demonstrate Value

Finance executives should select an initial project, one that provides strategic value and demonstrates the department's commitment to be more of a business enabler. One option to consider is improving the budgeting process by making it easier for the budget owner. People in finance roles naturally think in terms of money while people in line-of-business roles think in terms of "things" - headcount, units of materials purchased or marketing leads required to close one sale. A dedicated budgeting application that allows budget owners to plan things and, with the help of software, translate things into money makes budgeting easier. Technology advances have the potential to turn the longstanding objective to transform the finance department into reality, but only if finance executives address the people, process and data issues that also prevent departments from enhancing their effectiveness. The right software, however, is the linchpin. It is the catalyst to giving departments the ability to devote more time to high-value work, enabling more flexible and agile operations while providing more strategic guidance to support more informed decision-making.

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