



# An Integrated Operations Transformation Approach to Finance and Accounting Operations



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# Introduction

The ongoing pressure on companies for digital transformation, driven in part by demand for a superior customer experience, accelerated time to market, and continuous innovation – and exacerbated by the pandemic – has compelled organizations to rapidly adopt new technologies, leaving operations leaders to play catch-up. Adding to that pressure, expectations from CFOs are also evolving to that of being a business partner and architect in driving agility, resiliency, and strategic decision-making in order to future-proof finance function.

An integrated operations transformation approach is a force multiplier that enables better business outcomes from digital transformation efforts. In this research, we explore how finance leaders can evaluate, redesign, and realign operations across infrastructure, core systems, and process layers to help optimize and realize more value from their digital transformation efforts. In this report, we discuss:

- Key challenges in F&A digital transformation initiatives and understanding how your organizational operations maturity impacts these initiatives
- An integrated approach to F&A operations transformation with illustrative examples
- Key success drivers and the role of third-party service providers

This report will help CFOs, F&A executives, and other CXOs who are looking to transform their F&A operations understand the importance of an integrated transformation approach that orchestrates multiple digital and process levers across IT infrastructure, applications, and business process layers to achieve the full benefits of transformation.



## Key challenges in F&A transformation and maturity assessment

Many enterprises' digital transformation initiatives underachieve, missing the mark on their expected benefits. Pandemic-related disruptions have increased the need to realize transformation benefits more quickly, but enterprises are struggling to do so, given the lack of pre-built solutions from technology partners and/or improper funding. While there are many varied reasons for this suboptimal performance, there is one fairly common characteristic among underachievers: firms that consider digital transformation to be solely (or largely) a technology change generally do not optimize their transformations. While the siloed technology implementation may generate quick wins, sustaining and optimizing the impact is difficult without support of the entire process, digital, and talent ecosystem. True F&A transformation success results from an integrated operations transformation approach that includes digital and operating model transformation supported by robust change management and organizational redesign strategies.

### EXHIBIT 1

Key reasons digital transformation initiatives underperform

Source: Everest Group (2022)

- Fragmented and inflexible legacy systems
- Lack of coordination among finance, IT, and operations
- Digitization of inefficient processes
- Localized process improvement practices
- Lack of pre-built and/or pre-contextualized solutions
- Outdated or limiting operating models – limited to restructuring of business units and/or retention of antiquated operations structures
- Inability to scale digital initiatives due to multiple fragmented point solutions
- Lack of sustainable funding
- Talent unavailability
- Cultural inertia



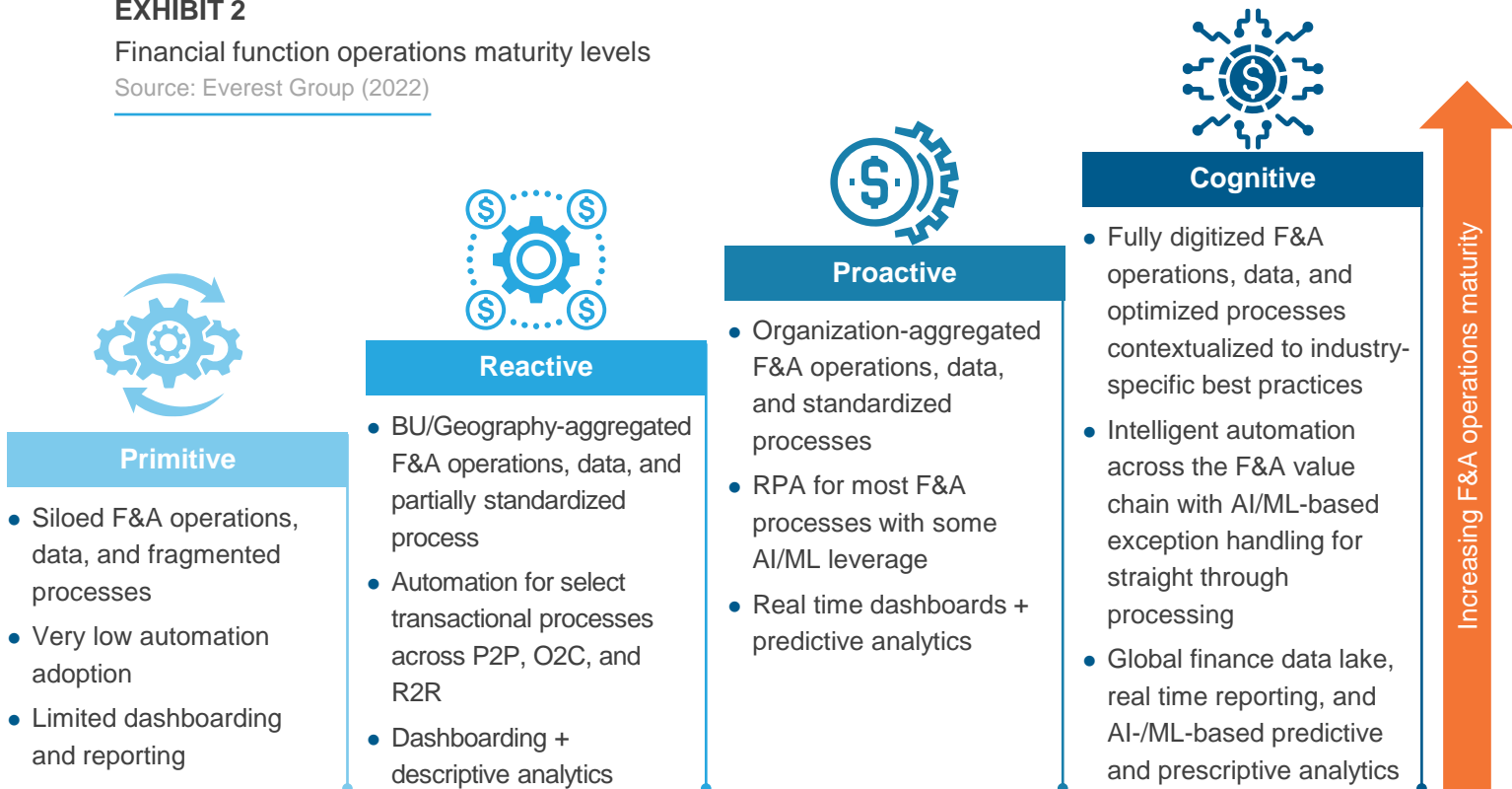
### Understanding your operations maturity level

Before initiating an effort to digitally transform your operations, it is imperative to understand current maturity levels. Based on maturity of automation, process integration, data integration, and technology leverage in finance operations, enterprises can be placed at one of the four distinct maturity levels, primitive, reactive, proactive, or cognitive, as described in Exhibit 2. The maturity assessment exercise will help enterprises customize their operations transformation journey based on their current level of maturity.

**EXHIBIT 2**

## Financial function operations maturity levels

Source: Everest Group (2022)



As enterprises transition to higher maturity levels, they realize improved productivity, process efficiency, resiliency, and agility, all of which drive cost optimization and enhance end-user experience and business outcomes contributing to superior business value.

With constant changes in consumer behavior, macro-economic factors, and an increasing need to be more agile and resilient, developing an integrated operations transformation approach for all operations, finance included, is becoming essential for enterprises.

## An integrated operations transformation approach

Most enterprises' transformation initiatives focus either on process improvement in a siloed fashion or digital enablement of inefficient processes. They seldom focus what is most important: all integrated aspects of business process operations.

An effective operations transformation approach needs to be holistic and should focus on process standardization/optimization, and digital enablement of business processes in conjunction with the underlying IT infrastructure and applications layers. In addition, enterprises should be cognizant of industry-specific nuances, striking the right balance between scalability and contextualization. And they need to factor in the impact and role of adjacent functions to drive enterprise-wide benefits.

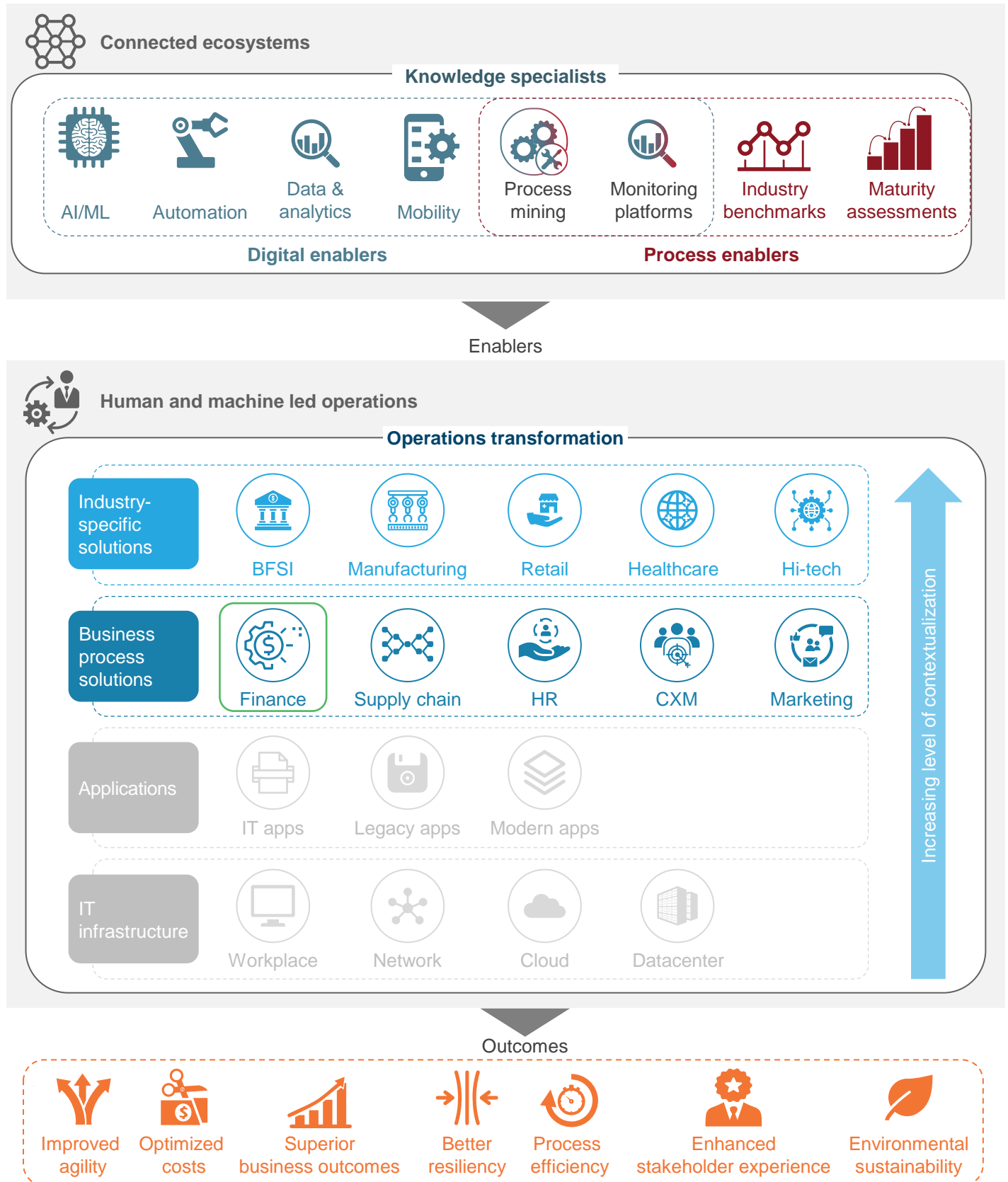
An integrated transformation approach (as described in Exhibit 3) can help to organize and drive the transformation initiative. An effective approach uses a connected ecosystem of digital and process enablers supported by knowledge specialists that account for organizational, domain, and industry-specific nuances and help in achieving the desired business outcomes such as cost reduction, increased process efficiency, enhanced stakeholder experience, and improved agility.

**EXHIBIT 3**

**Integrated operations transformation approach**

Source: Everest Group (2022)

Focus of this paper



In the following sections we explore the levers that enable operations transformation within the F&A context.

## Process enablers

Process optimization is the key to successfully driving transformation initiatives at scale.

“ The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. Likewise, automation applied to an inefficient operation will magnify the inefficiency.

– Bill Gates

Process enablers, such as frameworks and maturity assessments tools, help in baselining F&A operations' performance. A typical maturity assessment exercise includes:

- An end-to-end process assessment
- Performance benchmarking of KPIs/SLAs
- A data layer assessment
- An assessment of the current state of automation, analytics, and cognitive technologies

Next-generation technologies, such as process mining and monitoring tools, have taken process discovery and assessment impact and efficiency to new levels. The use of these tools in conjunction with robust methodologies not only enhances productivity but also sets the stage for further value creation through digital levers.

For example, F&A functions can use digital twin to drive continuous process improvement. This process creates a virtual representation of the finance function using process mining to provide operational telemetry. The process mining data is used to identify bottlenecks/inefficiencies and reimagine and test a range of future-state scenarios through simulation. The value of digital twin is further amplified when combined with technologies such as advanced analytics and IoT to deliver faster and better insights.

## Digital enablers






















Digital enablers – including monitoring and analytics platforms, which enhance visibility across operations model layers, AI/ML platforms, automation, and chatbots – are key technology levers in driving F&A operations transformation. Exhibit 4 describes the potential use cases, current adoption, and future potential of several digital enablers.

**EXHIBIT 4**

## Current adoption and future potential of key digital levers across F&amp;A processes

Source: Everest Group (2022)

Relative adoption: ○ Very low ● Very high

Digital enablers	Key F&A processes	Use cases (not exhaustive)	Current adoption	Future adoption potential
Automation (RPA/IDP) 	P2P	Invoice processing, payment requests, and processing T&E claims		
	O2C	Customer setup, cash applications, and credit and collections		
	R2R	Processing journal entry (JE), building budget line item, and preparing trial balances		
Data & analytics 	P2P	Overpayments, fraud detection across payments/T&E and AP optimization		
	O2C	Premium collections optimization <sup>2</sup> and detecting revenue leakages and disputes		
	R2R	Contract compliance, forecasting and scenario modeling, and risk profiling		
Mobility 	P2P	Smart helpdesk leveraging intelligent virtual agents and mobile app for T&E		
	O2C	Order capture portal with virtual agent and intelligent collections advisor		
	R2R	CFO dashboards apps and prescriptive actions via email-/app-based notifications		

**Automation:** Increasing automation adoption helps organizations to build a more agile and resilient finance function by reducing dependencies on manual interventions, especially for enterprises that are comparatively digitally immature. If implemented properly, RPA alone has the potential to reduce the cost of operations by an average of 20-25%. While RPA is primarily implemented across transactional F&A processes such as invoice processing, T&E claims processing, billing, and cash applications, many mature enterprises are using Intelligent Process Automation (IPA) to enable straight through processing across accounts payable – automating invoice processing with pre-built workflows, business validation rules, Intelligent Document Processing (IDP), Machine Learning (ML)-based anomaly detection, ML-based invoice prioritization, and traditional rules-based RPA. Cloud-based solutions that leverage AI are being used to automate and control financial close processes.

**Data & analytics:** Most enterprises are already using basic analytics and visualization tools for dashboarding and reporting purposes. However, with the increasing pressure on F&A processes to deliver business impact, analytics solutions' sophistication and maturity are rising. Data & analytics efforts are shifting to using intelligent real-time analytics dashboards for processes like collections and DPO, and prescriptive analytics solutions that use ML, Natural Language Processing (NLP), and Natural Language Generation (NLG) on both internal and external data to predict meaningful insights and prescribe next steps.



For example, best-in-class enterprises are using ML and NLP on unstructured data (including email texts, contracts, and images) and structured data (including invoices and financial statements) to better predict revenue and sales. They are also using interest rate and credit spread curve analysis along with analytics-driven triangulation for P&L forecasting. In collections, enterprises are using advanced analytics to analyze current customer payments, payment terms, and customer behavior to understand their impact on cash flow and cost of capital and using that analysis to devise collection strategies.

**Artificial Intelligence (AI) / Machine Learning (ML):** Adoption of cognitive digital solutions with machine learning capabilities is increasing as more mature enterprises invest in these technologies to future-proof their finance functions and unlock savings beyond automation. For example, in the Accounts Payable (AP) helpdesk, an AI-based conversational agent that can understand semi-structured vendor queries and fetch relevant information immediately is being used to eliminate significant work for the AP team and improve the way vendors interact with the system. Organizations are using AI-/ML-based tools with self-learning capabilities to manage exceptions across F&A processes (such as invoice processing) without human intervention. AI-based tools that leverage deep learning are helping auditors in detecting anomalies / fraudulent entries in the General Ledger (GL) and take preventive actions. AI-based solutions are also being used to transform Travel and Expense (T&E) audit processes to enhance regulatory compliance, flag nonadherence to corporate policies, contract obligations, and identify spend leakages.

### Value acceleration through intelligent orchestration

While there are multiple digital and process levers that enable operations transformation, proper orchestration of these levers in conjunction with human intelligence is essential to achieving sustainable long-term business value. It is also important to create synergies among the IT infrastructure, applications, and business operations layers to drive the transformation initiative. CFOs in best-in-class enterprises are taking proactive steps to promote cross-functional collaboration and are becoming guardians of enterprise data to create business value.

Taking an integrated operations transformation approach by orchestrating process and digital enablers such as process mining, intelligent automation, analytics, and chatbots contextualized to industry-specific needs helps enterprises build agile, resilient and future-ready finance functions. This approach drives cost reduction, improves operational efficiency, and delivers strategic impact such as more working capital, improved compliance and risk management, a better stakeholder experience, and improved decision-making.

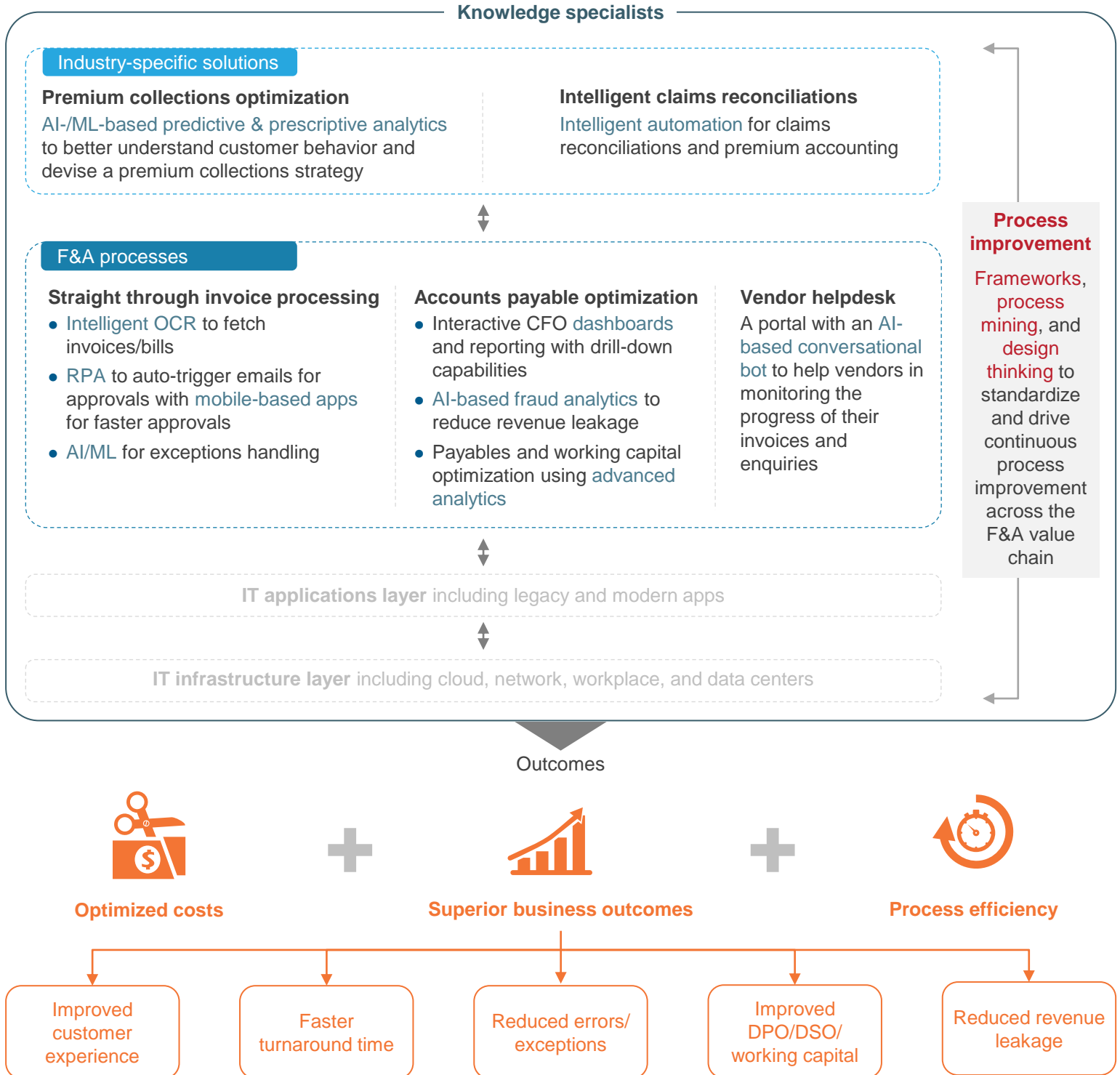
Exhibit 5 offers an example of how an organization can take an integrated operations transformation approach to achieve business outcomes.

**EXHIBIT 5**

**F&A operations transformation: an illustrative example for an insurance company**

Source: Everest Group (2022)

XX Process enablers XX Digital enablers



## Key success drivers and the role of service providers

Key components to a successful operations transformation initiative include the following.

**Contextualized transformation design:** Organizations need to contextualize their transformation initiatives based on many factors including their current process and technology maturity, operating model, industry dynamics, and other macro-economic factors. There is no one right design, and it becomes crucial that every enterprise determine the best path for it to achieve its desired state and optimum transformation pace.

**Talent strategy:** As enterprises undergo digital transformation, their skill set mix will change significantly. Though much of today's narrative focuses on the impact of automation on traditional skills, this is a short-sighted view based on the current inventory of skills. As automation, analytics, AI, and other next-gen digital technologies scale within enterprises, business and industry context will become invaluable and will lead to a dramatic need for techno-functional skills.

Enterprises need to develop special programs to enable its talent to continuously upskill/cross-skill based on the organization's transformation roadmap. They need to find ways to reskill employees from transactional tasks and upskill/empower them for more strategic roles that require judgment and softer skills. At the same time, they should adjust their current talent acquisition strategies to source talent with new skill sets. Initiatives focused on employee well-being and talent retention are equally important to foster the workforce for the future.

**Funding:** Scaling digital transformation is an iterative, multiyear process that is essentially a series of journeys, and it requires enormous effort to reinvent the business and create new value for customers, employees, and shareholders. Though overall spend on digital initiatives has risen, in general, most digital initiatives do not reach the desired scale due to budget constraints. Enterprises need to find innovative funding approaches to avoid starving the effort of necessary resources.

Many enterprises create an innovation fund earmarked for the implementation of F&A transformation. The innovation fund can be replenished from the cost savings from the transformation initiative.

**Change management and governance:** While the initial measures of success can be technology-led, the KPIs need to rapidly evolve to agility and business outcomes metrics to track revenue leakage, working capital improvements, customer experience (NPS), and others, along with accuracy and timeliness metrics. Best-in-class enterprises implement a centralized governance structure with a one-team approach that helps in improving relationships and business outcomes. Enterprises also need to proactively update their target levels and stringency to keep up with the pace of transformation.

CFOs and other C-suite leaders need to lead this change management initiative and evangelize the change in order to develop and promote the culture needed to encourage the rest of the company to embrace change. Efforts should be made to minimize disruption and should be customized to each group based on their involvement with the effort, with proper communication and visibility to all employees who are affected. The larger goal should be on building a culture that views change and continuous improvement as a norm and not a one-time exercise.

Exhibit 6 offers a view on how one company, Landmark Group, an Indian multinational conglomerate involved in retail hospitality and leisure, healthcare, and mall management, successfully transformed its end-to-end F&A operations.

**EXHIBIT 6****Case study: how Landmark Group transformed its end-to-end F&A operations**

Source: Everest Group (2022)

**Client details****Challenges**

- Fragmented and non-standardized F&A processes impacting time to close books and cash flow
- Multiple ERPs and a high degree of manual operations driving up cost of operations and creating an inconsistent experience
- Lack of intelligence and limited visibility into exceptions causing revenue leakage

**Objective**

The key objective was to re-imagine F&A operations with the goal of reducing costs and enhancing cash flow, and improving visibility, compliance, and customer experience

**Solution****Approach**

Landmark Group worked with TCS' Cognix™ for Finance suite, which includes digital solutions that use underlying technologies such as automation, analytics, and cognitive technologies.

**Components deployed**

- Intelligent workflow solutions to standardize and automate processes across the F&A value chain
- Month-end cockpit adding real time visibility, enabling timely financial close, and improving compliance
- Advanced analytics-based solutions to reduce intercompany mismatches and improve cash flow
- AI chatbots to automate the helpdesk to reduce resolution time and enhance customer experience

**Results**

- Improved visibility and cash flows
  - Delivered US\$1 million savings by reducing open items, duplicate payments, and manual effort
  - Reduced unrealized payments from bank to zero
  - Achieved 100% reconciliation accuracy and improved cash-flow
- Enhanced controls and compliance and customer experience
  - Improved quality from 85% to 99.7%
  - Reduced month-end close from 13 to 5 working days
  - Consolidated the number of workflows from 100+ to 21
  - Delivered ~99% accuracy for the finance helpdesk



Enterprises can begin their transformation either by building in-house capabilities, by leveraging third-party service providers / technology vendors, or both – each model has its pros and cons. While setting up a GIC enables greater data privacy, control, and talent, leveraging third-party providers/vendors enables access to the latest technologies, scalability, and best practices and methodologies for process improvement and technology implementation.

### The role of third-party service providers

Service providers are playing an important role in assisting enterprises throughout their F&A transformations. The pandemic has increased enterprises' openness to leverage third-party service providers. In addition, there is an increasing demand for service provider support in strategic areas including designing transformation roadmap.

More than **75% of CFOs<sup>1</sup>**, who are currently not working with service providers, want to leverage their support in the future.

Below we briefly discuss some of the key areas where service providers have developed capabilities and are actively assisting enterprises.

**Maturity assessment and transformation roadmap designing:** Leading service providers have developed sophisticated maturity assessment tools that can help enterprises quickly assess the current state of their F&A processes and digital ecosystems. They can also help enterprises in assessing gaps between the current and future state as well as in designing a transformation roadmap to reach the desired future state. Another advantage of working with a service provider is access to a variety of tools such as process mining and a wide range of existing data that can help in benchmarking KPIs and tracking operational performance.

**Transformation implementation:** Service providers have developed a wide array of best-in-class solutions and technologies such as RPA, AI/ML, analytics, and chatbots that can assist enterprises throughout their transformation initiatives. Leading service providers often bring an ecosystem of pre-built solutions across F&A processes leveraging their domain and industry expertise. Because these solutions are already contextualized to specific industries, they require little time in enterprise-specific customizations and are faster to deploy. Over and above the digital enablers, solutions are equipped with governance-related modules with metrics that are benchmarked to best-in-class metrics for continuous performance improvement.

About **54% of CFOs<sup>1</sup>** expect service providers to support them in driving process excellence and best practices, while more than **60% of CFOs<sup>1</sup>** expect service providers' support in designing transformation roadmaps.

1 Everest Group 2020 Global CFO Survey

**Orchestration of people, process, and digital:** While there may be little differentiation among leading F&A service providers when it comes to digital or process capabilities, enterprise should focus on how efficiently a service provider can orchestrate process enablers, digital enablers, and the human workforce across IT infrastructure, application, and F&A and industry-specific layers to deliver the desired outcomes. Leading providers have developed AI-based platforms/engines that can help enterprises to implement transformation in an orchestrated fashion.

While the service provider can play a pivotal role in helping the finance function to transform, below we have briefly highlighted certain pitfalls that the enterprises need to be aware of.

**Limited control over operations and implementation governance:** The leadership and project managers may lose oversight of the transformation project and overall F&A operations if a proper governance structure and responsibility matrix is not in place. This can lead to a misalignment of expectations and a divergence from the overall vision and transformation goals

**Organizational and regional cultural differences:** Often a lack of cultural fit due to limited nearshoring/onshoring and/or organizational differences may impact communication, timelines, productivity across teams, and – ultimately – the transformation project

**Data security risk associated with sharing sensitive information:** If the network managed by the service provider lacks proper data security measures, it may be vulnerable to cyberattacks and data breaches, and the enterprise may face regulatory penalties and negative impact to its brand

## Conclusion

Rapid digital transformation is impacting every function within the enterprise, and F&A is no exception. Rising expectations of CFOs, evolving digital technologies, techno-functional talent requirements, and the need for F&A functions to play a more strategic role in delivering business outcomes have put F&A operations in the spotlight, making transformation a necessity, not an option. And though digital plays a key role in the F&A operations transformation journey, process improvement and proper orchestration of digital levers with the right techno-functional talent and building synergies across IT infrastructure, applications, business processes, and focus on business outcomes are equally vital in ensuring success.

Each enterprise needs to assess its current maturity and priorities and based on its current state and future objectives contextualize its operations transformation approach. While third-party F&A providers can play a significant role in expediting and orchestrating this journey with rapid investments in technologies, process, and talent, coupled with experience, organizations need to carefully assess the options before determining whether to partner with a provider, and if so, which partner is best suited to help it succeed.

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