



HFS

Make Use of the Pandemic Shock to Remove the “Friction” in F&A

Musings from HFS’ F&A Digital Roundtable

December 2020

Don Ryan | Senior Vice President
Reetika Fleming | Research Vice President
Saurabh Gupta | Chief Research Officer

Defining Future Business Operations

© 2020, HFS Research Ltd. | <http://www.HFSresearch.com> | @HFSResearch

Finance is no longer a back-office function. More than 80% of the 30 senior finance executives that participated in the recent Capgemini-supported HFS digital roundtable ranked “enabling enterprise top-line growth” as the #1 objective for their finance departments going into 2021 (see Exhibit 1). Driving operational cost reduction is still important (ranked #2 by the roundtable delegates), but there is consensus that the role of the smart CFO is evolving from being the bottom-line and compliance enforcer to a trusted business partner driving profitable growth (see Exhibit 2). Finance executives have the opportunity to use the initial pandemic shock this year to re-design how the finance function runs and contributes greater business value to the organization.

Exhibit 1: Participating enterprises represented multiple industry verticals and geographies



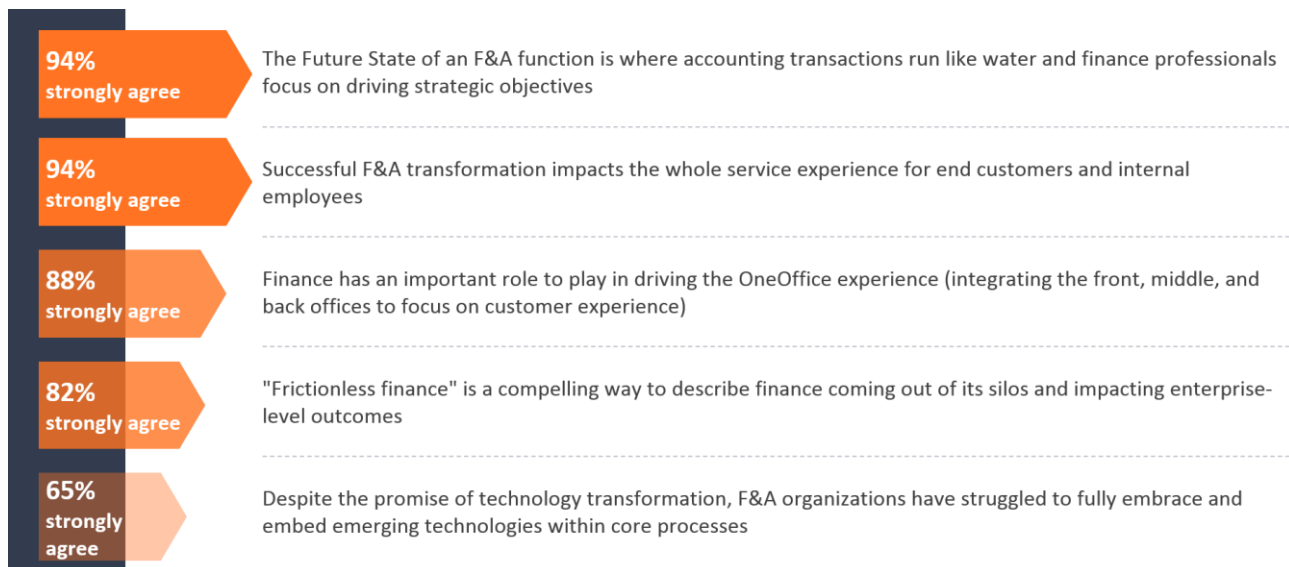
These shifts have been percolating in the F&A world for several years now, but the pandemic shock has finalized an irrevocable transformation in thinking about finance’s role and value. Ninety-five percent (95%) of the roundtable delegates say the pandemic has changed the way they operate F&A. Many leading-edge enterprises have stopped looking at cost savings or greater transactional throughput as the sole markers of F&A success, expanding the definition of success to include achieving specific business outcomes like top-line growth and stakeholder experience enhancement.

Ninety-four percent (94%) of the roundtable delegates desire a future state of F&A where accounting transactions run like “tap-water” and finance professionals focus on driving strategic objectives. However, very few have realized their ambitions, their attempts marred by the persisting friction points of legacy technologies, cultural silos, talent shortage, and inaccessible data.

“We are unlocking frictionless finance with our D-GEM platform to re-energize enterprise business processes with an AI augmented workforce to enhance sustainable and tangible outcomes for our clients”

– David Lumley, EVP, Head of Finance Transformation, Business Services, Capgemini

Exhibit 2: Finance is no longer a back-office function. The role of the smart CFO is evolving from being the bottom-line and compliance enforcer to a trusted business partner driving profitable growth.



Sample: 30 F&A executives attending HFS Digital Roundtable

Source: HFS Research, 2020

A new focus: moving beyond transacting to analyzing and acting?

A major software firm and roundtable participant has been on a 10-year journey to decrease transactional costs with various strategies like outsourcing and automation. It is now driving cultural change in F&A to take on bigger assignments like global forecasting across a range of services and products. This mindset shift supports the business more in areas that count and drives outcomes associated with investment allocation and working capital optimization.

Another initiative is from a major European wireless provider focusing more on data analysis and performance management overall. It is building a cross-functional tool and

platform supported by management reviews across markets, based on advanced analytics and leveraging the Google Cloud Platform for application processing and storage. **The company thinks this** marks a milestone for advanced technology use within the market. F&A plays an important role because data collection and analytics must be market-specific, and the F&A organization aligns to this goal around data. Automation plays a role as the ultimate silo smasher.

The goal of F&A is to deploy emerging digital technology and, through its use, discover non-conventional outcomes. One issue is that non-conventional outcomes analysis must be performed by non-conventional F&A staff. The analysis requires people with skills and understanding that go far beyond the boundaries of traditional accounting and finance and into the realms of mathematics, computer science, and business intelligence disciplines, along with more problem-solving, creative thinking types that can work across the organization for better business partnering.

A major European automotive manufacturer is evaluating how the finance function can help the company gain greater insight into its dealer network. The goal is to move beyond using historical financial data to using dealer data to forecast specific business outcomes, including the effectiveness of technology investments. The company is beginning to think of data as a strategic asset, and it believes it needs partners who will act decisively based on the new insights.

As companies move to the use of platform ecosystems more broadly, they need to think in different ways: it is all about merging data and technology. F&A organizations are taking steps to reframe their operating models to address these new requirements and strategies, with a first step being fewer siloes of activity—removing the friction of data and technology that organizational boundaries set.

Challenges to overcome: Data fragmentation, data governance, cloud enablement, data strategy, and hybrid working

1. **Data fragmentation:** One of the challenges with consistent data is the lack of an overall master data strategy and unreliable data quality. Increasingly, the challenge is not technical; it's a fragmented landscape that allows different parts of the business to treat and categorize data uniquely. Much of a company's data passes through the finance and accounting function. Documenting master data sources, applying standards, and automating access to data all become seemingly insurmountable hurdles at times, but they must be overcome sooner rather than later.
2. **Data governance:** During the roundtable, it was evident that everyone gets the concept of data as an asset, but not the idea that companies need to actively and purposefully manage data across people, process, and technology to make it useful. It is one thing to have access to data—but it is another altogether to make it reliably consumable, especially for complex process transformation.

3. **Cloud enablement:** To fully take advantage of data, companies need to be bold in adopting cloud technology. But for many companies, the cloud is still a big bet, and there are many complexities and data integrity and compliance concerns. Few CFOs today are willing to risk moving to the cloud. It has been around for several years, but CFOs aren't certain that it will succeed. There is, however, increasing realization that innovation around AI, agile, and self-healing will not happen without an aggressive strategy to move data into the cloud for F&A.
4. **Data strategy:** Let's not forget about the need to take a holistic view of connected data linked to process maturity and ownership—one of the more daunting and complex challenges. Many companies don't work with structured data frameworks; instead, they use data to improve specific tasks or answer specific questions. The challenges will always be constructing a data strategy that is highly integrated across all parts of the business and to use data as an input to frame strategy or as a foundation to devise an entirely different set of business questions.
5. **Hybrid working and post-pandemic operations:** A final challenge we discussed was how to create high-performing teams and a new performance-based culture in a remote or hybrid work environment over the next 12 months. Over half the participants (57%) in the roundtable completely agreed that the cultural resistance to working from home is slowly fading and that "Work from Anywhere" will transform how companies operate and consume services. Further, 75% agree to some degree that the pandemic has forever changed how they deliver F&A services, with offshoring losing its mojo and automation scaling up. Ultimately, the speed of change will depend on each company's culture, how highly integrated operations are to begin with, and the philosophy of senior management—but the directional indicators are unmistakable.

The Bottom Line: We will never get another opportunity to do what we always knew we had to do. Let's get going.

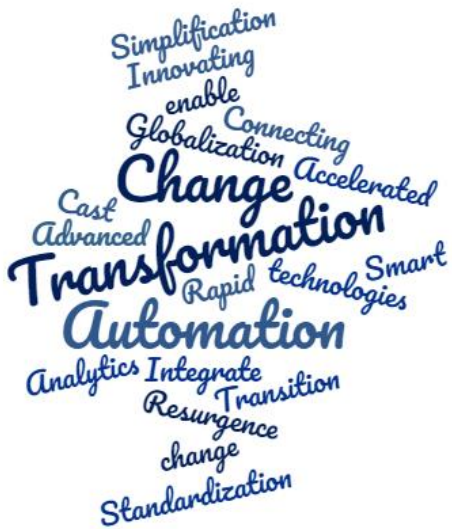
Success in our new virtual finance and accounting world will demand breaking down barriers and reducing friction. We must address these challenges now to prepare organizations for the new operating models of the post-pandemic world.

- **Effectively use innovative technology, such as AI and automation.** Our roundtable participants held a serious discussion about the CFO's changing role and the emerging trend of appointing technologists to CFO roles. This role change would help executives redefine the value of finance's business contributions and lead them to eliminating cleanup work and cycles and onto more strategic activities.
- **The responsibility for F&A, ultimately, is to create demand for new services.** F&A's transformation F&A will not happen in a vacuum.
- **New talent, with skills that far exceed a focus on accounting and finance, is the most important ingredient to the future of finance.** Universities play a role in

this, along with new company training programs and F&A management's awareness of the importance of an expanded talent and skill base.

Change is on the menu for 2021!

Exhibit 3: **2021 will be the year of** _____



Source: F&A executives attending HFS Digital Roundtable, HFS Research, 2020

HFS Research Authors



[Don Ryan](#) | Senior Vice President

Don Ryan joined HFS Research in August 2020 as Senior Vice President of Research and Consulting. His recent role was as Director for global research and thought leadership for business and outsourcing services, digital technology, and AI deployment at KPMG LLC. Recently, Don collaborated with HFS on the highly publicized white paper, “Enterprise Reboot: Scaling digital technologies in the new reality”, a major study to delineate the impact of COVID-19 on technology implementation.



[Reetika Fleming](#) | Research Vice President

Reetika Fleming leads coverage for smart analytics, insurance, and finance & accounting at HFS Research. She studies the broad use of data and analytics within enterprises, with a research focus on emerging strategies to institutionalize machine learning and other AI techniques. Her research extends into the impact of digital business models, IoT, Smart Analytics, and AI on business process services for insurance specifically, and finance and accounting broadly.



[Saurabh Gupta](#) | Chief Research Author

Saurabh Gupta is Chief Research Officer at HFS. He oversees HFS’ global research function managing the global team of analysts across US, Europe, and Asia-Pac. He works closely with the CEO to set the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position as the strongest impact thought leader for business operations and services research.



2020
DEFINING
BUSINESS
OPERATIONS
IN THE NEXT
DECADE

About HFS Research: Defining future business operations

The HFS mission is to provide visionary insight into major innovations impacting business operations, including: automation, artificial intelligence, blockchain, Internet of things, digital business models, and smart analytics.

HFS defines and visualizes the future of business operations across key industries with our Digital OneOffice™ Framework.

HFS influences the strategies of enterprise customers to help them develop OneOffice backbones to be competitive and to partner with capable services providers, technology suppliers, and third-party advisors.

Read more about HFS and our initiatives on www.HFSresearch.com or follow @HFSResearch.

HFS