



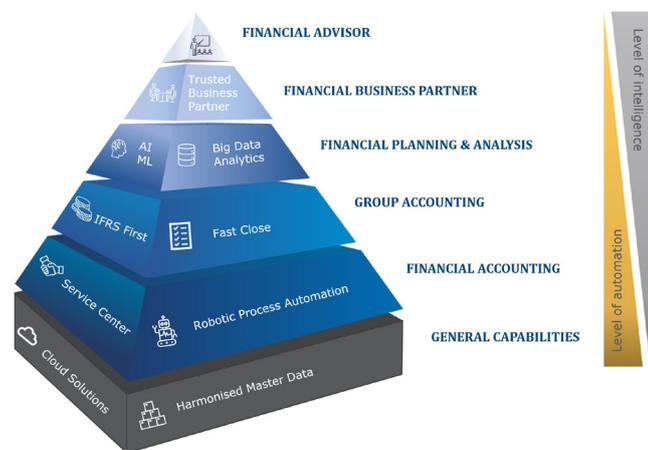
How to develop a high performing finance function

New technologies enable us to build highly automated financial management functions which release educated financial professionals from number collection and reconciliation work to supporting business leads in decision making and creating strategic growth.

In real life, many corporations have a long historical ballast of multiple unfinished M&A integration activities and organizational changes, which has led to fragmented financial management solutions and data models. An army of controllers often struggles to get monthly standard reports ready before deadlines and any extra reporting and analysis take hours or even days to deliver. This prevents much of the valuable financial data from being used efficiently in decision-making and business planning.

Building world-class finance

It is impossible to build a proper house, and what we call the “value pyramid of finance functions”, without a solid foundation. It is also impossible to automate financial management functions using unharmonized master data and fragmented enterprise architecture.



For example, if a company has multiple accounting systems, charts of accounts and poor-quality master data, any reporting and analysis will require plenty of manual mapping, conversion, and reconciliation work.

In the end, the quality of reporting is often poor, despite the huge effort and long lead times in producing it. The transparency and ability of drill down might be missing. And crucially, the capability to utilize Robotic Process Automation (RPA), Artificial Intelligence (AI) and Machine Learning (ML) based automation solutions is limited.

A solid foundation for finance functions can be built from the following ingredients:

1. One common and evergreen financial ERP
2. Standard solution and API interfaces – minimize all customizations
3. One operating model:
 - a. uniform products, services and contracts with product owners
 - b. harmonized master data with data owners
 - c. streamlined processes with process owners

These general capabilities are typically jointly owned by business, finance and ICT departments. Thus, tight cooperation and common targets are needed.

Financial Accounting

The core end-to-end processes in financial accounting, such as Order to Cash (O2C), Purchase to Pay (P2P) and Record to Report (R2R), are rather straightforward to build once the above-mentioned solid foundation has been put in place. Challenges typically arise when new operating models should follow the standard solution and other non-standard ways to do business need to be trimmed away. It is much easier to configure custom features to ERP solutions than try to change existing processes and introduce new ways of working.

A centralized and standard financial solution improves the financial service centre's efficiency and enables a higher level of automation. Since the transaction volume is high within core financial accounting processes, the automation level in this area needs to be as high as possible. Credit checks, new customer creations, invoicing, payment matching, expenses invoice coding, matching and approvals are all good examples of activities that can and should be automated. Manual intervention by staff should be needed only to solve exceptions.

Group Accounting

The next level in financial management services is group accounting, which focuses on group accounting guidelines, consolidation and closing processes. Having a single financial ERP with harmonized data models such as a chart of accounts, cost centers and business partner numbering, enables a straightforward and fast consolidation process. This also allows for drill-down from the consolidated figures all the way to the journal entry and document level.

When there is no need to collect financial figures from multiple sources, group-level management reporting and

period-end closing processes are also fast and accurate. The best global companies can close their books and finalize management reports within a few days after the end of the month.

Financial Planning and Analysis (FP&A)

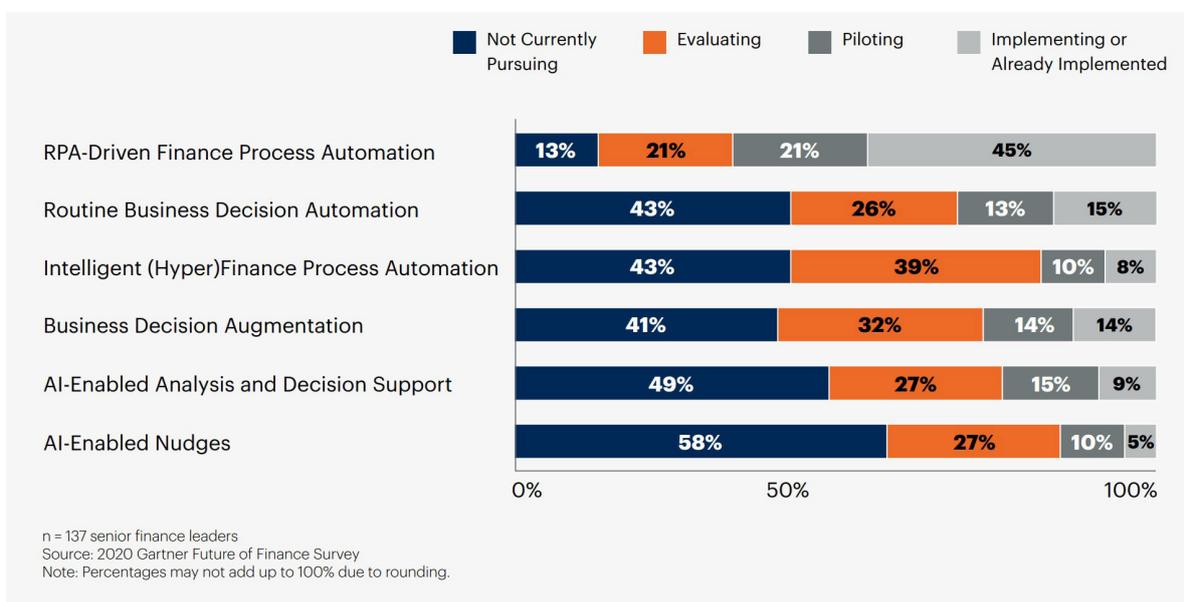
The key role of the FP&A function is to drive planning, forecasting and profitability analysis processes that enable financial visibility into the future. Without this information, top-level management cannot make the best decisions. The leading practice of integrated business planning is to utilize multi-scenario analysis and non-financial as well as unstructured data to create better quality business plans together with all business area leads.

Machine learning and artificial intelligence for example can be used in machine-generated baseline forecasts, business decision augmentations, AI-enabled analysis, and decision support.

Financial Business Partner

The title of "Controller" may sound like the task is to control, regulate and even limit business activities, but this role is instead about helping management to make informed and successful business decisions. Therefore, we prefer to talk about "Financial Business Partners".

When daily and monthly financial management activities have been automated and financial processes streamlined, financial business partners can focus on working with the management team and sparring them in their decision-making. They can also help to develop the organization's financial literacy, produce deeper financial analyses



Gartner 2020: Digital Technology Use Cases in Finance: "Current Levels of Digital Implementation Within Finance"

for new business plans, and study new technological opportunities, such as new AI & ML-based tools.

To become a trusted financial business partner, one needs a deep understanding of business models and the profitability dynamics of products, customers, and other factors, both in the short and long term. This knowledge, combined with up-to-date insights into markets and future trends, will provide a good basis for making relevant business decision proposals for management.

Financial Advisor

When lower levels of the value pyramid have been successfully implemented, the CFO and other corporate financial advisors can focus on strategic planning, new business creation, and value creation through mergers and acquisitions. Backed with reliable and insightful financial information, they can act as trusted financial advisors for the CEO, senior management, and the Board. The best-in-class CFO provides a multidimensional financial point of view for strategic business decisions, spends time with customers to thoroughly understand market needs, and acts as an exemplary supervisor of the business unit's financial managers.

Roadmap

A full-scale financial transformation program in a global enterprise takes years and will change the way of working widely across the company. It typically has a substantial impact on corporate data models and IT solutions, as well as potentially impacting the products and services that will be provided to customers. Therefore, a financial transformation program is not only a program for the

finance department. Rather, it must be a top-priority program for all business units, including finance and ICT. Thorough preparation and planning are also required for the program to be successful. Based on our experience, the creation of a proper finance transformation program roadmap typically requires 6+ months of calendar time.

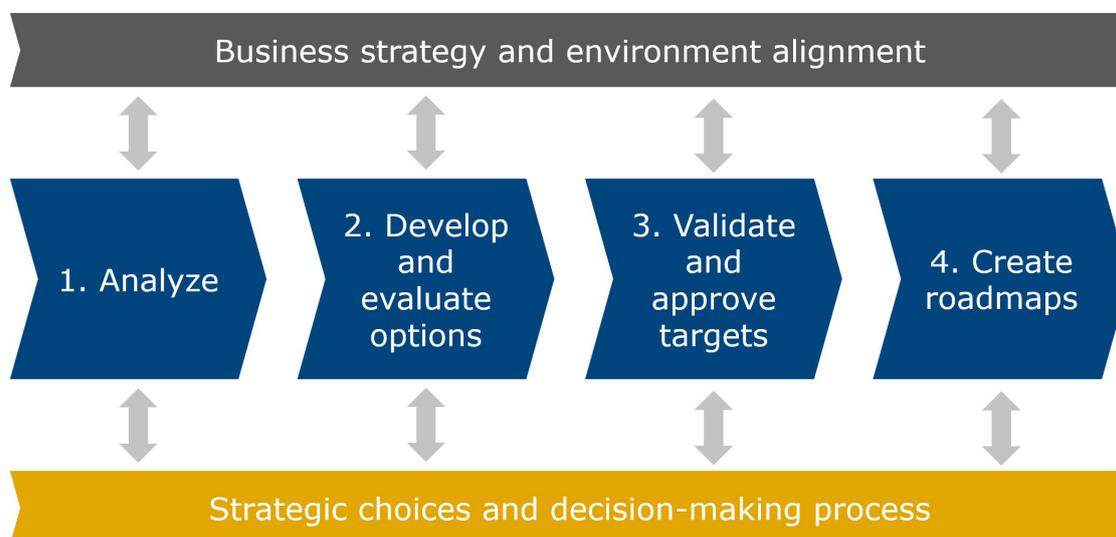
Key takeaways

- The traditional “we will do business and finance can figure out how to pull the numbers and reports” does not result in efficient finance operations.
- Fixing the foundation brings the best outcome.
- You can significantly reduce the amount of manual work and get real-time insight on the operational efficiency of your company – although the changing business and environment will ensure that the world is never ready or perfect.
- A finance transformation is a shared effort and typically results in changes in business processes.

Midagon

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Example of the finance transformation program roadmap creation activities.