Corporate Controller & CAO Hot Topics

Managing Transformation

Finance leaders play a key role in guiding their organizations through digital transformations. Whether it's ERP upgrades, automation, or adoption of new technologies such as generative AI, Finance is often at the center of the process.

The scale of these undertakings makes it imperative that Finance keep a sharp focus not only on the costs and ROI, but also the business reasons behind any upgrades.

The wide scope of transformations, especially ones that touch foundational components like enterprise resource planning (ERP) systems, require close collaboration among business units and process owners. Finance's central role in monitoring costs and tracking efficiencies make it well suited to work hand-in-hand with IT and operations teams to keep implementations on track. Finance is not simply managing the use of new tools but utilizing them as well as it tests and develops business cases for new tech such as generative AI. In most cases, finance leaders are taking the long view—recognizing transformation as an ongoing process rather than a one-time project. This mindset enables companies to keep up with the pace of technological change. Nothing guarantees success, but a goal of continuous improvement coupled with the optimization of processes and structures beforehand help finance leaders position their companies for smoother transitions.

Given how closely KPMG works with many of the world's leading organizations, we have unique insights into how finance leaders are approaching these topics. Below are four areas that Corporate Controllers and CAOs are focused on as they manage transformation at their organizations.

Realizing value from transformation

Many large companies have been in the process of integrating and upgrading their ERP platforms and tools for quite some time, with some large projects going back a decade or more. In addition to long timelines, these projects also incur high costs, with some companies spending billions of dollars to keep their systems current. As a result, finance leaders are challenged to prove the return on what can be considerable investments in new technology.

Not surprisingly, many executives look to cost savings produced by better tracking and planning systems as the main return on investment for transformation initiatives. Specifically, one focus is on labor savings, either through automation or through the ability to offshore business centers to locations that have a less costly labor market, such as India, Costa Rica, Mexico, Poland and others.

While these cost savings can be a major focus, ROI on technology transformations can often extend beyond savings. New capabilities gained, efficiencies, and accelerated processes (e.g., forecasting) are all benefits that digital transformation can bring. Even when it is difficult to demonstrate ROI for major upgrades, it may be even more costly to do nothing. For companies that may have dozens of different ERPs for different business units, it can be very expensive to not integrate and streamline a host of different systems that don't interoperate with each other.

Leaders in finance and elsewhere are working to identify the needs of their ERP systems based on the business's particular needs and functions. This also works to foster shared ownership and mutual accountability. In determining the ROI of new ERP systems, executives look at factors such as increased efficiency, time savings and reduced headcount. However, leaders are also looking to move human personnel from doing rote manual tasks that can now be done electronically to doing work that takes more strategic thinking and other higher-level skill sets. Executives are putting people at the center of these upgrades, which informs the process, the systems, and the tools that the company uses.

Transformation as an ongoing process

While the benefits of transformation can be common across companies, the “triggers” that kick off a transformation vary by organization. Leadership buy-in is key to transformation, so the arrival of a leader who is serious about an overhaul is often the catalyst for change. A recognition of specific challenges (e.g., difficulty forecasting in a dynamic, post-COVID environment) or identification of cost pain points have also been drivers for finance leaders to transform their tech stacks.

Many leaders in finance are changing their mindsets around major technological transformations and moving to thinking about adopting new tools and capabilities as an ongoing process of continuous improvement, rather than a time-limited project. For example, a company may implement a new ERP, but the work is not over when it goes live. Rather, the company can use the technology to track and measure efficiency, and they can continue to adapt their systems to the company’s changing needs.

With transformations sometimes taking three to five years (or more) to “complete,” companies often go through top leadership changes during the process. When a company brings in a new CEO, CFO, or both, the new leaders may trigger a change in the direction. Often, a change in leadership can result in a prolonged, or quite different project than originally planned. Additional triggers such as forecasting difficulties in a complex environment as well as transformation support across the business outside of finance can drive broader transformation efforts.

In addition, technology is changing so fast that once a multi-year transformation has been completed and implemented, it is already becoming outmoded. A longer view of digital transformation, one that looks to improve processes and efficiency, rather than just implementing something new and assume the work is finished, enables an organization to keep pace with new developments.

As part of this changing mindset, finance leaders are looking to upskill their current teams or hire new talent that have a background in both finance, accounting and technology. Traditionally, finance has been seen as completely separate from IT, but now those two disciplines are often coming together to manage technological transformations in finance departments and throughout companies. Accounting and finance are at the center of any company’s financial transactions, both in revenue and expenditure, so they have the data and auditing expertise to track the company’s efficiency and effectiveness through a transformation.

Finance leaders are also working with cross-functional teams to put new technology in place. These committees may have expertise in both front-office and back-office operations, as well as with different business units. Having a team that represents various parts of the organization can help to ensure that the solutions provided are practical and useful for users throughout the company.

The role of shared services

Transformation encompasses more than just technology; to support true change, company processes and structures often need to change as well. Shared services models, where different business units, or parts of the company in different geographic regions, use the same business services, such as finance, accounting, marketing, customer centers, etc., are becoming commonplace at large organizations. A main advantage of these models is the economies of scale they offer by centralizing and optimizing common functions. Some companies utilize third-party vendors, while others have "captive" shared services in-house. For example, a captive accounting department might provide accounting and auditing services to the different business units within their client, just as an outside agency would.

The concept of shared services can take many different forms in terms of organizational structure and reporting relationships. Many companies have a "dotted line" structure, where the shared services don't directly report to the leadership teams, but have a dotted line to them because the departments are their clients. In other cases, some companies are putting shared services under the finance team, because finance is naturally situated to track different cost centers and revenue streams. In some cases, accounting shared services roll up to the controller, while any business-related shared services are under the head of transformation, highlighting the value that such structure can bring to the transformation process.

Regardless of where shared services sit within the overall organization, and regardless of the reporting structure, it is critical to garner buy-in from the different business units that share the services. Having consensus and shared ownership of the shared services by the various parts of the enterprise helps to ensure that the services are useful to the different parts of the company, and that the different business units understand the value that the shared services bring. While shared services can provide cost savings and reduction to duplicated efforts, it can also be challenging for global companies due to things like language translation, different time zones and differing laws and regulations in regions throughout the world. For this reason, there is debate as to whether to structure shared services by function or location—in instances where regional factors are especially strong, structuring around location may be optimal.

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The impact of AI

Since generative AI exploded onto the business scene over the past few years, most companies are working to research, pilot and test use cases for the burgeoning technology. AI is integral to many organizations' plans as it has potential to accelerate digital transformations which are often heavily dependent on data, something AI is particularly good at parsing and analyzing. However, in some cases finance can be more conservative, late adopters of generative AI. For one thing, they have concerns about data privacy and security, and many companies don't want to put their back-office data into a large language learning model. Because these new technologies are costly, top leadership are also pressed to demonstrate ROI on what can be substantial investments of resources.

In many cases, companies are using new generative AI tools in the areas of their business that are more customer-facing, such as marketing, customer service, etc. In the areas of finance and accounting, leaders are exploring the use of AI for things like performing contract reviews, automating accounts payable and receivable, and other tasks. In addition, finance leaders are using AI to do revenue recognition, general forecasting and variance analyses for their businesses. For example, some are creating AI that can model different scenarios for the company, based on different tariffs that may be implemented by executive order.

Many companies are seeing increased efficiencies and cost savings when using generative AI and automation. These often come through reducing headcounts or automating part of their manual processes and outsourcing some manual processes to service centers offshore. However, although AI can do things like review hundreds of contracts much more quickly than humans can, leaders are making sure that processes will always have human oversight.

Key considerations during transformation

Experience with largescale transformations have taught finance leaders valuable lessons on key contributors to success. A few key "lessons learned" include:

Clean Processes and Data First

One focus for executives when implementing a new ERP is comprehensive inventorying of all the different processes and workflows that the company performs. These can be particular to the finance department, or throughout the business overall. During this process, leaders often find manual processes that are outmoded or inefficient. Rather than just streamline and automate bad processes, companies are collaborating with their partner vendors to create new processes or eliminate inefficient ones before implementing the new platforms.

Similarly, many organizations are prioritizing cleaning up bad data before putting in new systems. This is especially true for large companies that are looking into adopting generative AI and other automation. They are ensuring that their data is clean, interoperable and protected before moving to new systems or using it with large language learning models (LLMs) or other data-heavy processes. This is often accomplished by the company creating their own data lakes on premises.

Several organizations are also establishing Centers of Excellence within finance to ensure process redesign precedes automation—avoiding the pitfalls of scaling inefficient workflows.

Define the business case for new technology

With the significant focus on cloud computing, AI and automation over the past several years, it can be easy to get caught up in new technological capabilities and lose sight of the goals of the enterprise. Finance leaders are developing business cases and identifying value propositions to ensure that decisions around technological upgrades are driven by the business objectives of the company.

The most compelling business cases are those that combine quantitative and qualitative benefits. These include improved data quality, enhanced control environments, faster close cycles, and the ability to redeploy finance talent toward higher-value activities such as forecasting, scenario planning, and business partnering.

Ensure business leaders run the transformation (Not the other way around)

This "lesson learned" is closely related to the previous one. Because such largescale transformations take considerable time and resources, experienced leaders caution not to let the transformation take over—it's important for business leaders to run the transformation, not the other way around. Said another way, transformation should not be simply left to the IT department. Often, digital transformation initiatives sit under the controllership, or have dotted reporting lines to finance and accounting executives to ensure that IT is not the sole owner of the process.

One practice that can save a lot of trouble overall is to do a "full dress rehearsal, end to end," before fully going live to catch any bugs or bottlenecks in the new system and affected processes and correct them in a timely fashion. It can also provide more peace of mind for executives.

Some companies are harnessing the expertise and enthusiasm of their finance professionals who are passionate about technology to spearhead grassroots innovation and build confidence in new tools. This approach involves empowering these internal champions to lead transformation efforts, leveraging their knowledge to drive technological adoption and change within the organization.

For example, some organizations develop an "automation-first" culture by enabling finance professionals to become evangelists of new technologies. Professionals work closely with IT to identify and implement tools like Alteryx and Smartsheets, to build use cases that demonstrate quick wins and the value of new technologies. This grassroots approach encourages broader adoption and fosters an innovative mindset across the finance function.

Key advantages of empowering internal champions to lead innovation:

1. **Deep functional expertise**
Finance professionals possess knowledge of organizational processes and can identify the most impactful opportunities for automation and innovation. This expertise is crucial to drive targeted and effective transformation efforts.

2. **Building confidence with technology**
Internal champions can build trust and confidence in new technologies among their peers by demonstrating how digital tools can streamline processes and generate value. This is particularly important in overcoming resistance to change and encouraging widespread adoption.

3. **Creating a culture of continuous improvement**
By fostering a mindset that embraces technology and change, organizations can cultivate a continuous improvement culture that constantly seeks efficiencies and innovations in day-to-day operations.

4. **Cost efficiency and focus on value**
Empowering internal champions can be a cost-effective strategy compared to relying on external consultants. It focuses on utilizing existing resources and fostering organic growth of technological capabilities.

Overall, leveraging internal champions within finance can significantly enhance an organization's ability to embrace innovation, drive meaningful changes, and successfully implement new tools and technologies.

Choose the right implementation partner

Finance leaders have learned through experience that it's important to select a transformation vendor/partner that understands and has expertise in their industry and takes care to learn the ins and outs of their company as well. While many new tools and platforms can do a lot for business in a general sense, executives have learned the hard way that it's important to select the right partner for their specific company and industry.

Carrying on from the lessons outlined above, companies are making sure that their finance and business teams lend their internal expertise to these largescale projects, and not solely relying on third parties. If a company builds and implements a new ERP system, but the actual users of the system haven't given their input, it is much less likely to get adopted and used to its full potential. Even companies that have very decentralized and far-flung operations are finding ways to integrate employee input, such as cross-functional steering committees and shared centers of excellence (COEs).

Conclusion

While major upgrades are costly and time-consuming, the risks of not upgrading are too great to not pursue transformation. Companies must keep current by adopting new technologies and harnessing the efficiencies and capabilities they offer. With key learnings from past implementations to guide them, finance leaders are well positioned to guide their organizations through transformation and set them up for future success.

Resources

[Finance and Accounting]
[Digital Finance Strategy]
[Finance and Accounting (F&A) Improvement]
[Future of finance]
[The strategic CAO]

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