Digital Finance Transformation

Your Guide to Driving Effective, Continuous & Collaborative Change Management in Finance & Accounting

BLACKLINE

Digital Finance Transformation
PLAYBOOK

Over 40% of a typical CFO's time is now spent on activities that fall firmly outside the traditional role of accounting, controlling, and budgeting.

—ARE TODAY'S CFOS READY FOR TOMORROW'S DEMANDS ON FINANCE? MCKINSEY, 2016

Finance and accounting functions are creating their digital roadmaps. CFOs are looking for leaders within their organizations to drive change because their priorities are changing—and the expectations that CEOs, the board, and lines of business have for Accounting and Finance are changing, too.

In a recent study, McKinsey found that over 40% of a typical CFO's time is now spent on activities that fall firmly outside the traditional role of accounting, controlling, and budgeting.[1] CFOs are dedicating more time to strategic leadership, organizational transformation, and performance management.

It's precisely these areas where digital finance transformation initiatives are often focused—applying automation to unlock accounting efficiency, which enables the organization to be more strategic and use data to achieve clear visibility into both financial and operational performance.

Accounting & Finance Must Be Ready to Drive

Successful transformation first requires fully unlocking the automation dividend. We're already seeing accounting teams who fully embrace this, and are spending 80% less time on daily and period-end accounting activities, like account or transactional reconciliations.

Finance transformation also requires cutting the ongoing burden of managing controls by applying the latest technology to automatically certify account reconciliations and perform balance sheet and P&L fluctuation analysis. Streamlining the management of risk and control matrices (RCMs) and PBC (provided by client) lists, and orchestrating the segregation of duties and approvals is essential as well.

Tomorrow's finance and accounting organization will focus increasingly on planning, analytics, and advisory. Achieving the full value of automation to enable this structural change requires the organization of tomorrow to not only change technology, but also challenge and reimagine hardened accounting processes.

Success necessitates engaging every level of the organization to embrace digitization rather than fight it, reallocating where personnel spend their time, and developing a new talent mix from within the organization.

[1]Are Today's CFOs Ready for Tomorrow's Demands on Finance? McKinsey, 2016

Why Is Change Management so Important to Digital?

The road to digital finance starts with automating core accounting processes and controls to enable efficiency, reduce risk, and ensure standardization. The good news is that the technology is already proven and experiencing mass adoption.

For example, Gartner forecasts that in less than four years, 60% of midsize and enterprise companies will deploy cloud-based applications to digitize their accounting processes, with ready access to the latest in close, intercompany, and reconciliation management technology, robotic process automation, artificial intelligence, and analytics.[2]

While the cloud has made powerful technology more accessible than ever, technology is only part of the puzzle. Reaping the full value, and reinventing processes rather than just migrating them, requires pairing new technology with a strategy for change management.

In many ways, change management is about motivating and incentivizing people to be open to embracing new possibilities. It's about encouraging every level of the accounting and finance organization to both rethink and be open to replacing hard-wired, often decades-old work routines with new processes and applications.

It also requires empathy—understanding that people can sometimes feel threatened by change—and a plan, so that everyone can see the full benefits and even detractors turn into promoters.

"All change management projects comprise 'hard' and 'soft' components, and it is a failure to understand the latter that can scupper the plan," says Alison Young, a consultant at change management specialist EchoChanges.[3]

Without a strategy around change management, organizations face several risks to successful digital transformation:

- Merely running the same legacy workflows and processes on a modern finance technology stack often means underutilizing its capabilities—and a missed opportunity
- Limited buy-in and training for employees who will use the new applications risks lack of adoption
- Applications that aren't continuously adapted and configured by accounting and finance stakeholders to reflect ongoing needs risk eventual misalignment and irrelevancy

Change Management Must Not Be Left to Chance

Driving change requires a plan. When people genuinely invest in transition, a transformation is 30% more likely to stick, making it a vital way to tangibly increase the ROI of digital.[4]

In fact, in a 2019 survey of senior finance leaders, 91% of finance executives said it's the CFO's job to ensure the benefits of technology investments are realized, and 93% of CFOs said it was essential to foster an innovative culture—one that drives change—when pursuing technology.[5]

Sustainable change management is critical to overcome obstacles and roadblocks. For example, you want to avoid teams and/or accountants relapsing into old processes, as well as any glitches with systems or new processes that may arise during the change process.

Maintaining a solid mission and vision for the team, along with effective communication, will provide you with a successful change management process.

This white paper explores proven ways to drive organizational and procedural change: the roles and responsibilities to establish, obstacles to overcome, and practical techniques to get everyone on board.

> "All change management projects comprise 'hard' and 'soft' components, and it is a failure to understand the latter that can scupper the plan."
>
> **—TREAD CAREFULLY WITH CHANGE MANAGEMENT, ACCA THINK AHEAD, 2017**

[2] Critical Capabilities for Cloud Financial Close Solutions, 8 August 2018, Gartner
[3] Tread Carefully with Change Management, 2017, ACCA Think Ahead
[4] Changing Change Management, July 2015, McKinsey
[5] 2019 CFO Survey Report: All systems go: CFOs lead the way to a digital world

STEP 1

Build "Team Change"

Everyone builds an internal team of project managers, accounting business process experts, and end users for rolling out new technology—but these teams traditionally disintegrate after go-live.

This was understandable in the days of on-premise software, because it was almost impossible for Finance and Accounting to own and manage technology themselves. They couldn't easily make changes to rules, reports, or other business logic to tackle new business processes on an ongoing basis.

Because upgrades were applied only every few years at best, learning how to tap into new features and communicate new capabilities was rarely required. But with today's technology, that's a mistake.

With modern cloud applications, finance and accounting system administrators can make changes after deployment and accommodate ongoing needs without requiring extensive effort. Examples include:

- Changing the process of a bank reconciliation
- Changing a rule to auto-certify an account reconciliation
- Creating more automated journal entry processes and validations

Technology, like financial close and compliance automation solutions, can also often be extended to more users across the enterprise, such as business unit teams or auditors. All of this makes ongoing enablement and a more proactive approach to digital adoption essential.

"Team Change": Roles & Responsibilities

Often, change management teams consist of staff who are fully allocated to driving the initiative, and others with part-time responsibilities. A recent survey of 689 finance executives by CFO Research found that 56% of respondents devote about one-fifth of their FTE time to digital transformation and change management, and 52% plan to boost FTE time further in the coming year.[6]

A successful project team will include people who understand the assessment, as well as the impacts and presumptions being made, to help drive the overall mission and vision for change.

Prior to building the team, make sure the assessments, impacts, presumptions, and the right people are assigned. Consider carving out the following responsibilities.

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[6]The CFO Balancing Act, Facing the Future While Navigating the Now, September 2018, cfo.com

Sponsor

Driving change in Finance and Accounting comes from the top. Identify a senior finance leader, whether it's the CFO, VP of Finance, Controller, or Chief Digital Officer, and ensure they are engaged to communicate, incentivize, and monitor change. The sponsor should connect the dots between each digital finance initiative and the benefits to personnel, and understand the broader business implications.

Champion

Your most engaged and passionate internal accounting and finance professionals often make the best champions. They're the ones who know the current accounting processes and see that the next step in their career is getting confident using the latest technology—and evangelizing it.

Champions are incredibly valuable in that they influence their peers. They can work with everyone, from accounting managers or supervisors to the Controller, to identify process improvements and find ways to apply technology like financial close automation to make the process better—or reinvent it altogether.

Communicator

Change should never come without communication. Establish an effective communication plan, so it's clear how the organization, responsibilities, and procedures are changing—and why. Teams should: establish a communication cadence; provide updates on the latest changes, outcomes, and wins; conduct lunch-and-learn events to facilitate buy-in; and schedule events to celebrate success—so that every employee understands the value.

Enabler

In every organization, there's a skills gap at the front line and often a reluctance to embrace new technology. But the obstacles to gaining familiarity and an understanding of new processes are lower than ever. For example, modern software providers have often invested heavily in providing online training "universities," self-paced learning, and role-based curricula, not to mention custom training materials.

Beyond training on new software, newly re-engineered processes can be communicated with online meetings, or via internal portals and custom videos. Enablers focus on working directly with each role in Accounting, ensuring that personnel not only have the educational material at their disposal and understand the new processes, but are also communicating the career development opportunities of learning new ways to work.

Scorekeeper

Some organizations adopt a "fast fail" approach around change management, while others monitor outcomes of process changes over a longer time period. However, whether the goal is to shave time off the close process or improve reconciliation accuracy, it's essential to have a set of Key Performance Indicators (KPIs) at the outset and a definition of success.

Modern financial close solutions often provide real-time KPIs on process performance and user activity—which demonstrates adoption—that make it simple to keep score and communicate results.

STEP 2

Put Your Change Model Into Play

Driving process changes is a team sport, so once roles and responsibilities are defined, you'll want to ensure your team runs like one.

KEY AREAS TO CONSIDER INCLUDE:

Work with your Sponsor to craft a vision statement for the accounting and finance organization, such as the goals for the organization by 2020 or 2022. These may include: driving efficiencies from automation in core accounting areas such as financial close, intercompany accounting, reporting, and reconciliations; allocating more time to business partnering; or building a greater competency in strategic planning and analytics. Identify high-level gaps and obstacles between your current and future states and create a milestone-based roadmap.

Engage Champions to operationalize the vision by establishing collaborative, cross-functional teams that include front-line accounting and finance team members to identify processes that are ripe for reinvention.

Roll out the change program, leveraging Enablers who are incentivizing and enabling talent to adapt new work processes, such as transitioning Excel-based reconciliations to the digital cloud. Scorekeepers should measure the progress using quantifiable metrics to gauge success period-over-period, with feedback to the broader team on adoption and results.

> **We revisited our policies and processes and knew that small changes weren't going to deliver the productivity improvements we needed.**
>
> — PAT WITHROW, ACCOUNTING DIRECTOR, THE DOW CHEMICAL COMPANY

Engage the top & lead the change

- Build leadership team
- Establish case for change and craft vision
- Conduct cultural diagnostic
- Build change elements into program design

Cascade down & break barriers

- Identify and empower key change agents
- Create cross-functional teams
- Design organization-wide change program
- Roll out communication plan

Mobilize the basis & create ownership

- Roll out change program at the base
- Measure change
- Embrace learning and knowledge sharing
- Provide needed training and support
- Facilitate bottom-up and top-down communication

STEP 3

Proactively Tackle the Key Obstacles

> We assessed systems and people to ensure minimal disruption. We created a communication program and followed a standard change methodology to create the vision and sustain buy-in.
>
> **—ANDREW PARRIS, DIRECTOR OF SHARED SERVICES, TARMAC**

What are some of the critical obstacles you'll likely face on the road to change? Common issues range from a poorly-defined vision that lacks buy-in to a reliance on tools that Finance and Accounting can't own and manage themselves.

McKinsey recently identified six common obstacles that change management initiatives face, and solutions to overcome them.

Obstacle	Solution
Overall digital vision not clearly defined	Hold integrative discussions within your organization—bringing together representatives from all parts of the organization—to come up with a joint digital vision.
Digital initiatives not linked to overarching business strategy	Link specific finance initiatives to elements of broader corporate strategy, identify linkages in strategy discussions, and monitor outcomes.
Lack of clear, strong mandates across the organization	Identify a sponsor from top management who will openly promote the digital agenda, such as communicating success and giving owners of digital initiatives clear responsibility and authority over their projects.
Backlash within the finance function	Establish or redefine employee incentives so they align with the digital agenda.
Lack of understanding between digital finance teams and business units	Work in cross-functional squads, integrating various business unit perspectives.
A gap between current capabilities and those required in digital finance function	Set up a dedicated capability-building program in Finance and invest in top talent.

STEP 4

Incentivize Change. Empower Ownership. Enable Talent.

Supercharge Employee Engagement & Incentivize Change

In addition to a clear vision, communication and enablement are some of the key tactics to get the frontline on board. Research shows that non-financial incentives are often as powerful—if not more so—than mainly financial incentives. But no matter the program, transparency and measurability are critical to underpin incentives, which means process benchmarking, goals and measurement all go hand-in-hand with rewards and recognition.[7]

- Create a competitive spirit. Competition can be one of the most powerful motivators. Metrics and benchmarks that track progress on accounting and finance performance improvements (see Step 5: Measure Process Performance & Continuously Improve) can be used to foster a degree of competition based on results, such as identifying the most significant business process improvement or the team that most exceeded their goal.
- Establish rewards and recognition. With metrics in hand, recognition of achievements can be a powerful incentive. Some organizations establish rewards programs with recognition awarded based on measured results and improvement.
- Simple recognition goes a long way. Recognizing frontline staff publicly at team meetings and events can often deliver outsized benefits in motivation, especially if conducted in tandem with dashboards that show their contribution to KPIs that are used to measure results.
- Pairing these kinds of incentives and motivators with modern financial close automation and compliance can often be a potent combination to drive change. This is because these applications can provide KPIs, dashboards, analytics, and transparency to measure and report on the pace of transformation around areas such as the speed of the financial close, the degree of reconciliation automation, or the reduction in manual journal entries and adjustments.

Ensure Technology Empowers Accounting & Finance to Take Ownership

Ownership means Finance and Accounting can take charge of process reinvention themselves, without relying on IT or technical consultants. This requires ensuring that technology can be confidently owned and managed by end users—those closest to reengineering the business processes themselves. If the technology creates friction to driving change, then ultimately digitization efforts will grind to a halt.

For example, when automating the financial close and reconciliation processes, it's essential that process owners can make changes quickly. This might include adding or changing accounts for reconciliation automation, easily applying technology like artificial intelligence to transactional matching, modifying variance exception thresholds, changing standard or custom report fields, or modifying any other business logic without requiring technical consultants.

As new business units come on board, they can be easily added to the new financial close system, while still proving local control and flexibility—without the need for reimplementation or significant re-engineering.

Enable Talent by Easing Access to Skills Development

Whether changing roles, changing technology, or changing processes, it's vital that no talent is left behind. An ideal approach is to deploy an online "university" as a go-to for tracking adoption of new finance and accounting technology to manage learning activities and deploy new training materials.

DELIVER AN ONLINE "UNIVERSITY" TO ACCELERATE END-USER ENABLEMENT.

[7]Incentives, Peer Pressure, and Behavior Persistence, 2017, Susanna Gallani, Harvard Business School

The good news is that this doesn't require building from scratch. By ensuring your technology provider delivers learning paths and dashboards that provide structured, consistent, and contextual training to each user—whether an accountant, preparer, reviewer, approver, auditor, or manager—change enablers can have the tools to improve engagement from the outset.

Training portals should include instructor-led classes and opportunities to earn CPE credits through online courses and eLearning. Learning progress dashboards should enable frontline users to track their progress along their personalized paths. If you ensure your application provider enables you to host your custom content on their training portal, it can become your end users' one-stop shop for getting to grips with new technology and ways of work. With built-in reporting around employee learning activities, it's also practical to link achievements with rewards and recognition, too.

LOOK FOR THE FOLLOWING IN YOUR ONLINE CHANGE MANAGEMENT UNIVERSITY:

- Learning Paths
- Live Webinars
- New Feature Training
- Self-Paced eLearning
- Learning Dashboards
- Learning Transcripts
- Multilingual
- Learning Management Administration
- Custom Content Hosting
- CPE Courses & Credits
- Virtual Instructor-Led Training
- Supplemental Learning Resources

STEP 5

Measure Process Performance & Continuously Improve

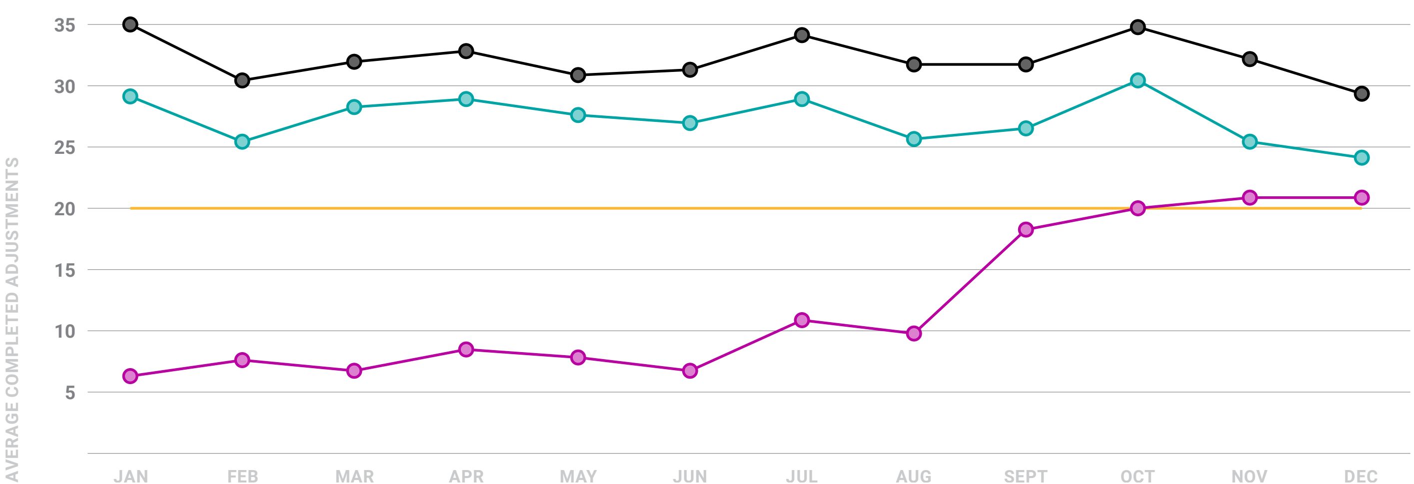
As Peter Drucker said, "you can't manage what you don't measure." Establishing process KPIs provides a powerful way to gauge the level of success and provide a feedback loop on where the next change initiative should be focused. For teams, it's a way to strive toward and transparently measure against established goals.

For example, an initiative focused on reconciliation automation may have the following KPIs:

- Overall time to close the books
- Percentage of tasks completed on time
- Number of items processed per accounting head
- Manually reconciled accounts/total accounts
- Reconciliation approval and rejection rates
- Auto-certification rate

Fortunately, modern financial close management and automation tools automatically collect KPIs and can often identify trends over time to show period-over-period improvements. Additionally, incorporating anonymized industry benchmark data can provide a meaningful way to identify where processes are lagging in relation to peers and to set clear, metrics-based goals.

AVERAGE ASSIGNMENT COMPLETION PER MONTH



KPIs DO'S	KPIs DONT'S
Measure process improvements or decline versus the previous period.	Don't spend all your time in data collection. Use financial close apps to collect the data for you, so you can focus on metrics and analysis.
Conduct metrics-based periodic reviews with the team—what went well, and where to improve next. Assign ownership for process improvements.	Don't separate process analytics from the process. Ideally, your financial close apps should help you identify issues and enable you to make changes.
Ensure your process metrics aren't just about efficiency—risk, quality, and service matter too.	Don't start if your underlying process still relies on spreadsheets and email—the data will be too challenging to collect.

Digital finance transformation and change management go hand in hand. Defining, enabling, communicating, and measuring change is a powerful way to ensure the maximum ROI from the latest technology. Without change, many organizations risk running old processes on new technology, tapping into only a fraction of their value.

Achieving digital finance transformation requires the right solutions, owned and managed by Accounting and Finance to drive change from within, and tools to ensure ongoing training and measurement. It also requires the accounting and finance team itself to commit to change by setting a clear vision and roadmap, defining roles and responsibilities, and investing in continuous improvement.

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