



GENERATING **FINANCE AND ACCOUNTING** IMPACT

Finance as a strategic business partner: four transformation imperatives



The structures, processes, systems, and policies most organizations work with were not designed to keep up with today's frenetic pace of business transformation and disruption. The concept of continuous improvement has served us well for the past few decades but not anymore.

Staying ahead of the competition requires finance to become a strategic business partner. By following four transformation essentials, organizations can make this crucial transition.

While businesses continue to operate in uncertain and complex environments, many are harnessing opportunities to compete and grow. Schwab Advisor Services found that the average M&A deal size in the first half of 2016 broke a record at \$1.4 billion, topping the \$1.3 billion average from the same period in 2015. This exceeds the average deal size for each full year since the Great Recession. But success with M&A or other transformation initiatives is not guaranteed.

The Fortune 500 illustrates the challenge to large organizations: only four of the top-ten companies from the 2010 list were still there in 2016. To grow and survive, businesses must re-imagine conventional operating models, value chains, and process outcomes. Rapid digital advancements in artificial intelligence, machine learning, cognitive automation, and predictive analytics are dramatically cutting go-to-market timelines.

As businesses look to compete in this new world, the roles of CXOs are converging (figure 1). CFOs, CMOs, COOs, and CIOs must become strategic business partners with the CEO to jointly drive the organization forward. They also need to champion the task of changing the organizational DNA for their organizations to succeed.

To avoid getting disrupted, and improve the opportunities to survive and grow, companies are blurring the traditional organizational boundaries that lie between responsibilities, goals, systems, and processes.

This convergence is amplified in the CFO organization where board-level expectations from the role are transforming from a primary focus on the bottom line to becoming a trusted strategic partner driving the growth agenda. M&A activity has increased dramatically over recent years, pushing the need for CFOs to refocus and reprioritize their objectives.

Besides bottom-line and top-line imperatives, the criticality of risk management and compliance has also increased with greater market volatility and creative destruction, where new ways of working evolve on a daily basis.

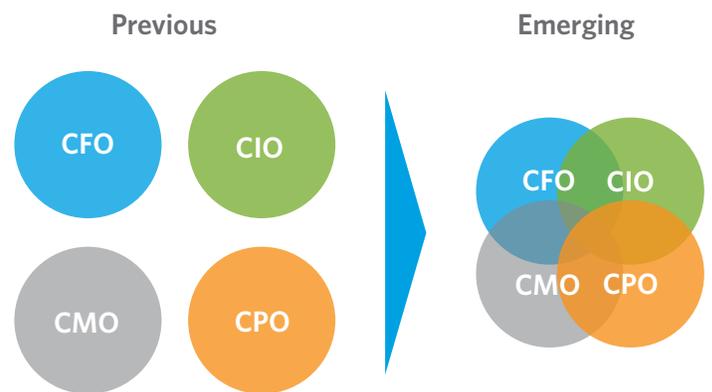


Figure 1: CXO convergence towards strategic business partnership

CFOs today have a tri-modal role to be the:

1. Guardian of costs
2. Growth champion
3. Manager of risk and compliance

Balancing these roles has an inherent conflicting challenge: How does the CFO drive investment for growth while controlling costs?

There are four clear transformation imperatives that help CFOs transform their organizations to become a strategic business partner, and successfully balance their multiple and often conflicting priorities (figure 2).

1. Develop right-brain competencies

Finance professionals are typically left-brained: logical, analytical, and fact-based. However, these executives now need stronger right-brain skills, including visualization, creativity, and imagination. Indeed, the finance executive of the future needs four competencies in particular to succeed: provide leadership, build relationships, demonstrate commercial awareness, and take the initiative (figure 3).

Finance executives are increasingly promoting progressive individuals with well-rounded experience, including knowledge of local and corporate finance, and developed and developing markets. CFOs are balancing their existing teams with external talent to bring fresh ideas and non-traditional finance skills, such as statisticians, economists, and consultants. Indeed, a recent



Figure 2: Four transformation imperatives for finance to become strategic business partner

study by CEB Report finds that 75% of finance teams plan to design new competency models and training to increase productivity.¹

There is a war on talent and organizations are finding that the inflow of quality finance candidates is reducing due to the unattractive, traditional view of a role in finance. Finance teams are also starting to augment in-house skills with short-term external talent by tapping into a partnership ecosystem or crowdsourcing.

Automating rule-based work to eliminate significant proportions of mundane work is also allowing finance to focus on value enhancement and create more attractive roles for people.

2. Collaborate at scale

Centralization and disaggregation initiatives have been synonymous with finance organizations. However, every finance organization has a front office, middle office, and back office. It is imperative that the interaction model from front to back office is simplified so the organization can collaborate at scale.

The history and evolution of finance functions has three distinct inflexion points (figure 4).

The functional finance organization was created with the advent of the ERP. However, over the last decade, most organizations have realized the limitations of the silos that this structure creates.

As a result, finance organizations are evolving to a process-led approach: from accounts payable to purchase to pay; accounts receivable to order to cash; and from general ledger to record to report.

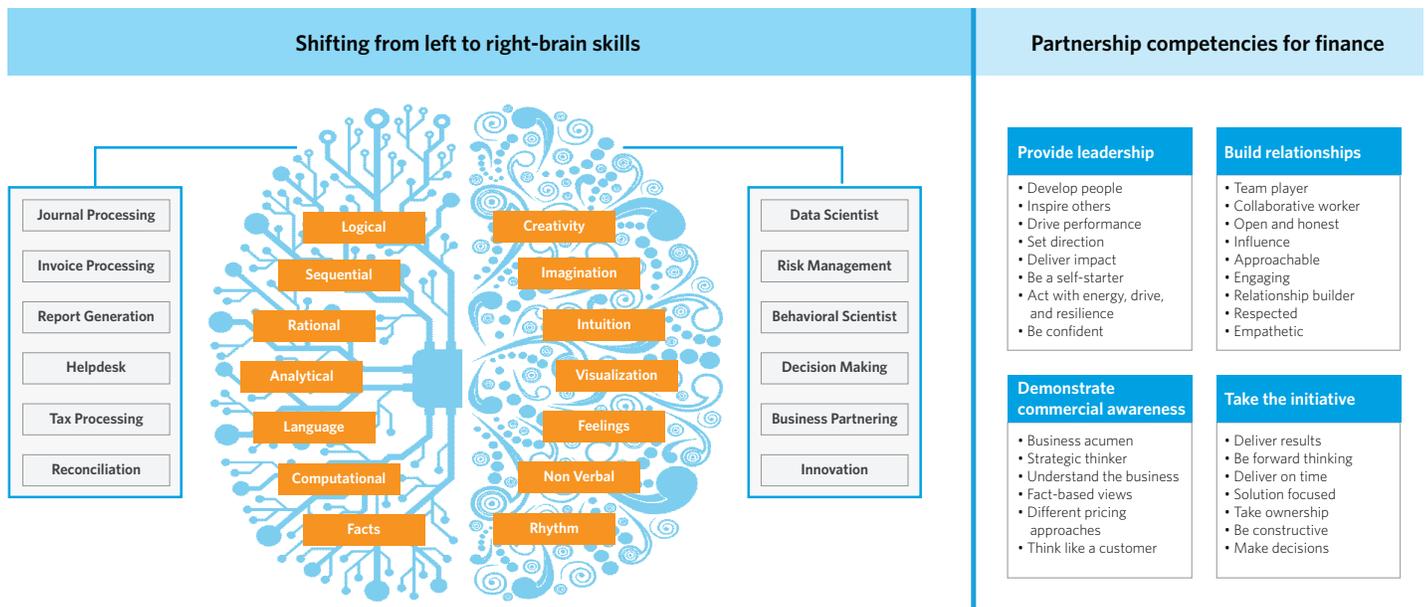


Figure 3: The skillset challenge

1. CEB, "Building a Better Finance - With the Same Resources", 2016

A global beverage company wanted to assess the potential benefits from applying robotic automation to record to report activities. Genpact applied three filters to identify and scope the correct sub-processes and FTEs for faster implementation:

- Exclude activities with technology and major process changes in the next six months
- Exclude processes with fractional FTE
- Disregard processes that involve multiple and non-standard decision making or analytics

Genpact identified fixed asset and general ledger posting as strong candidates for RPA with a potential productivity improvement of ~80%. This indicated that the equivalent of nearly 11 full-time employees could have work redirected to focus on core and value-enhancing activities.

This structure, however, still does not support the information flow, especially beyond finance. For instance, some organizations have order management in sales/operations/supply chain versus cash and receivables management under finance. Plot the information flow for any customer, vendor, or employee journey and it is unlikely that it will be optimized as information straddles multiple organizational boundaries.

For finance business partners to make better performance decisions, they need an information-flow orientation where the relevant internal and external information is available to make effective business decisions.

The good news is that breaking down these silos does not require another organizational restructuring program. This is a data management program. Access to enterprise-level data and a framework to govern it will be central to enabling collaboration at scale for the right information.

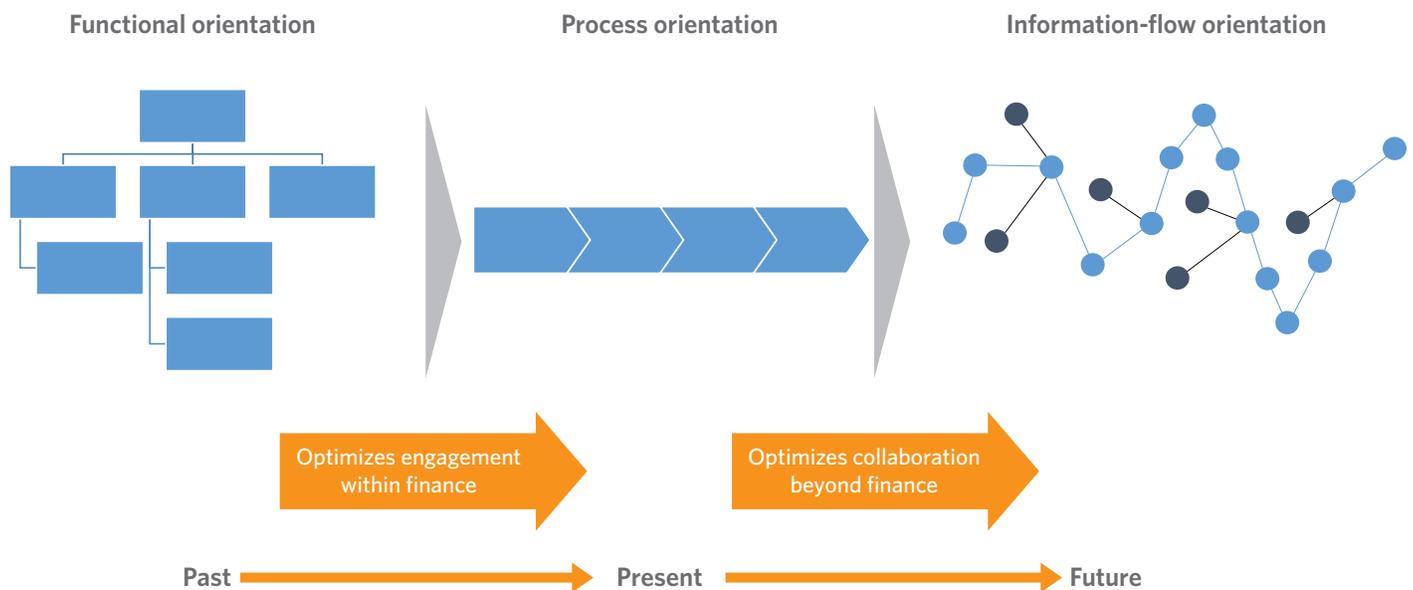


Figure 4: The finance organization: from function to process to information

A global pharmaceutical organization wanted to optimize finance service delivery by focusing local finance activities on strategic business partnering, local operations financial support, and compliance.

Genpact designed and implemented a market implementation playbook to address all objectives against building a finance local market model, and include all process elements, such as process maps with splits, KPIs, and controls.

Around 50 countries across the Americas, EMEA, Asia Pacific and Japan were targeted to be covered in 18 months by the playbook. The playbook helped increase local teams' confidence in the future design, enabling them to better prepare for and deliver on the initiative. As a result, the initiative reduced cycle time by 30-40%, and significantly improved the simplification and standardization of core finance processes.

3. Reimagine outcomes

Organizations need faster, cleaner, clearer, information with context to take decisions for effective business partnering. This puts the underlying financial transaction engine under tremendous pressure.

Finance organizations need to make 10-15x performance improvements versus incremental productivity gains. For example, HfS Research finds that digital is expected to deliver >80% impact on cycle time in the next two years.²

Performance metrics for transactional activities must be redefined with creative disruption, digital technologies, and analytical capabilities. For example, organizations must strive towards zero-cycle time, real-time closing of books, elimination

of bad debts, touchless cash application, and touchless payables.

Advances in digital technology allow finance organizations to achieve these goals. A number of businesses are leveraging robotic process automation (RPA) for faster, cleaner, and more accurate reconciliations. In addition, they are using machine learning to add contextual capabilities and are reimagining the reconciliation process with the potential use of blockchain.

At the same time, it is important for finance functions to recognize that we operate in a schizophrenic world (figure 5). As a business partner, finance has to balance a two-speed environment: the new world of innovation and agility, and the old world of defect-free, stable execution.

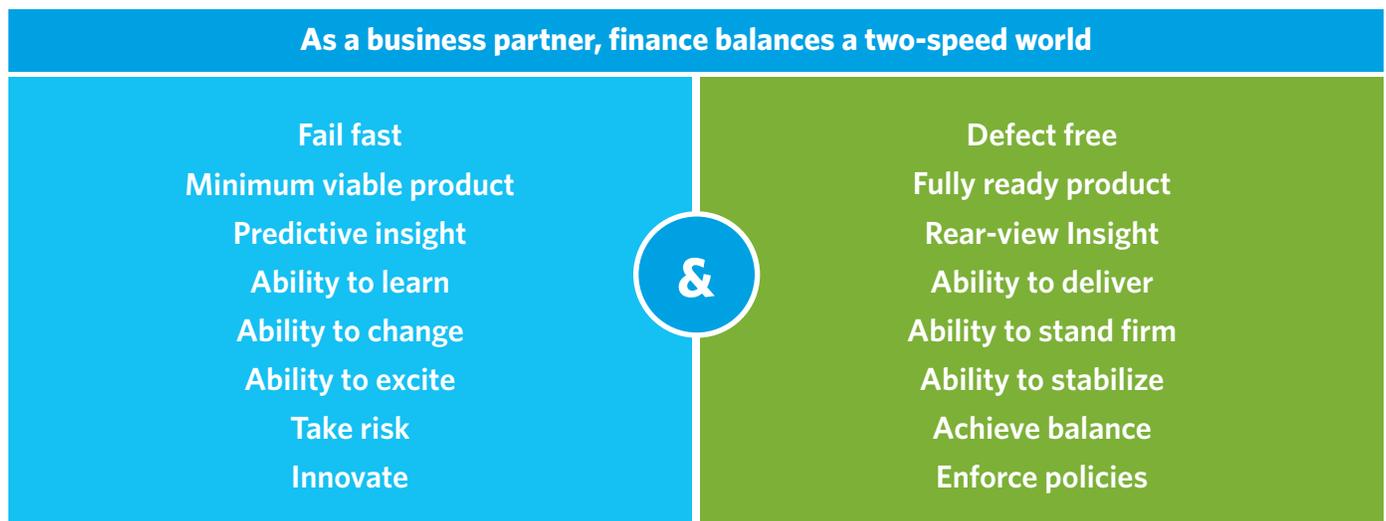


Figure 5: Managing the schizophrenia in finance

2. HfS Research and the Genpact Research Institute, "Finance in the Digital Age", 2016

A global CPG business with a history of acquisitions had limited centralization and inconsistent processes across finance, procurement, and the supply chain, which restricted the finance team's ability to execute on its strategic priorities in a dynamic operating environment with agility and speed.

To accelerate the pace of innovation, Genpact and the client used a bi-modal transformation approach (figure 6):

- Track one provided more predictable day-to-day operational improvements through centralization
- Track two focused on transformation and rapid experimentation



Figure 6: Bi-modal: centralizations and transformation

Through Genpact's Lean Digital approach, which combines design-thinking methods, with Lean practices, advanced digital technologies, and deep domain

expertise, the client could reimagine its entire finance operations. The approach tightly aligns interventions to business outcomes and avoids wasteful rip-and-replace initiatives by complementing existing systems of record with Systems of Engagement™ and RPA solutions.

The solutions include sophisticated analytics, automation, mobile applications, and other innovative digital technologies. Various cloud-based tools track and measure process lifecycle management and maturity performance management reporting, and other functions.

Jointly with the organization, Genpact defined more than 100 design elements for a comprehensive transformation roadmap, which led to:

- Standardizing approximately 70% of processes
- Improving enterprise resource planning utilization by 30 to 50%
- Streamlining reports from more than 800 to only 180
- Fast-tracking financial planning by completing annual target setting in eight weeks compared to 20 weeks previously
- Reducing finance costs by up to 40 percent

4. Share future insights

Traditionally, the role of the CFO has been to ensure that business decisions are well grounded across established financial criteria. However, given the pace of external change, organizations need finance organizations that can see round corners with predictive and prescriptive insights to make business decisions (figure 7). With only 40% of finance executives rating their financial planning and analysis capabilities as effective, this function is ripe for disruption.³

To become a strategic business partner, finance needs to be freed from more transactional and data-collation activities to focus on providing commercial judgment. To achieve this, organizations are:

- Implementing enterprise data governance frameworks to provide insights from internal and external data sources. For example, sales forecasts use data from CRM systems, web traffic, and marketing to improve planning and forecasting
- Using digital technologies to produce first-level commentary on future trends to free-up finance to provide more sophisticated insights
- Completing forecasts with speed and agility, by understanding any inherent bias to reveal potential risks and opportunities

As a result, organizations can plan with more confidence providing they align planning cycles to business demands rather than finance's needs.

3. APQC, "FP&A leaders must take a fresh look at design, tools, and talent," 2015

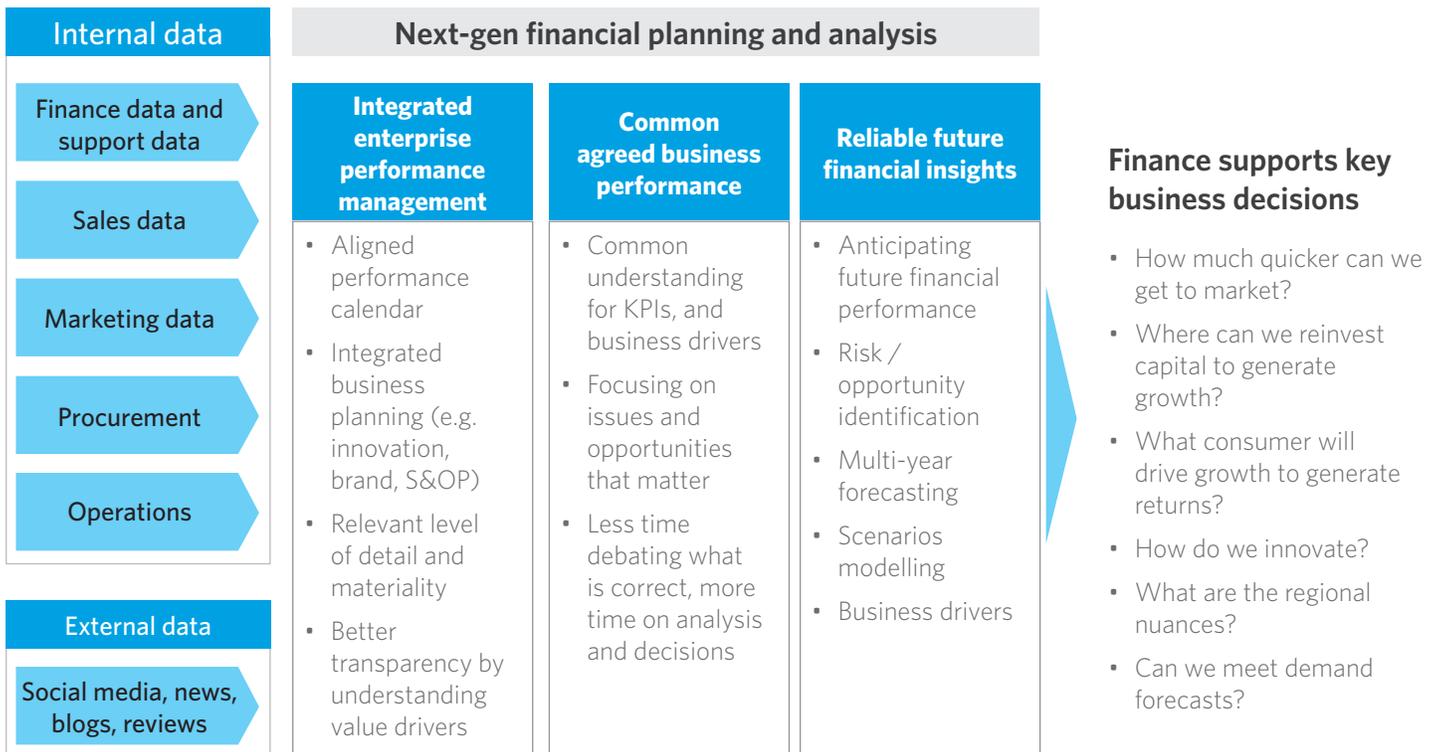


Figure 7: Enabling finance to support decision making with integrated enterprise performance management

Q Case Study **Enhancing business performance with Enterprise Performance Analytics**

Challenge

A global food and beverage company lacked meaningful data and uniform metrics for assessing business performance across its units and regions. This resulted in the inability to perform meaningful performance comparisons between regions and businesses.

Despite operating with legacy systems and processes, the client avoided the pitfalls many companies fall into of pursuing piecemeal digitization and incremental process improvements with new technologies by adopting Genpact’s Lean Digital approach.

Solution

The company leveraged Genpact’s cloud-based Enterprise Performance Analytics solution to transform the organization’s finance and accounting processes to provide real-time visibility.

Impact

The result was a scalable business platform offering a single, real-time view of performance across regions and units. It enabled quicker decision making, more agile, real-time responses to problems across the organization, driving collaboration, and a focus on business outcomes.

Finally, the creation of a feedback loop that captures insights from actions allows the organization to continuously fine-tune its business performance.

Turning finance into a business partner

Change is difficult, and large-scale change can be excruciating. Be under no illusion, the price to pay in today's digitally enabled world of agile competitors and cost-cutting environments is survival.

The question is no longer "if" or "when" but "how". The role of the CFO is morphing into that of being the standard bearer for commercial decision making. The CFO organization of the future is the gatekeeper of information, the chief financial barometer, the data interpreter and modeler, the architect of business value, and a critical enabler of growth.

Advances in digital technologies and analytics offer significant promise. Our study with HfS Research suggests that 84% of F&A leaders will embrace digital technologies to radically alter the way enterprises run, with arguably greater and deeper impact than what we have seen in previous waves of IT evolution.⁴ In order to realize digital's full potential, companies need to adopt design-thinking methods and Lean principles that focus on agility underpinned by domain and process expertise.

The four transformation imperatives – right-brain competency, collaboration at scale, re-imagined outcomes, and future insights – will enable finance organizations to become strategic business partners.

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4. HfS Research and the Genpact Research Institute, "Finance in the Digital Age", 2016

About Genpact

Genpact (NYSE: G) is a global professional services firm focused on delivering digital transformation for our clients, putting digital and data to work to create competitive advantage. We do this by integrating lean principles, design thinking, analytics, and digital technologies with domain and industry expertise to deliver disruptive business outcomes – an approach called Lean DigitalSM. We deliver value to our clients through digital-led, domain-enabled solutions that drive innovation, and digital-enabled intelligent operations that design, transform, and run clients' operations. For two decades we have been generating impact for clients including the Fortune Global 500, employing 77,000+ people in 20+ countries, with key offices in New York City, Palo Alto, London, and Delhi.

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