POINT OF VIEW

Finance-as-a-service for the big-picture view

Connecting financial data for a clear line of sight into business performance

Though businesses contend with a slew of uncertainties from COVID-19, they also have the opportunity to build a stronger business. From boosting cash flow today to modeling longer-term operational and financial planning scenarios and rationalizing costs, organizations should consider new ways to meet changing priorities. And discarding some of the approaches they take right now.

There are various ways that businesses can build nimbler finance functions that support more informed decision-making under pressure. But first, let's see where finance teams face the biggest challenges.

Dated data, inefficient processes

For finance and accounting functions that are not yet fully centralized and still run predominantly manual processes, the impact of COVID-19 has been especially difficult. CFOs and teams have struggled with:

- **Limited access to real-time financial data**: When reporting is based on decentralized systems and compiling data by hand, businesses end up working with outdated insights. And with limited visibility into that data, carrying out accurate scenario planning and frequent forecasting becomes impossible when the world is changing so rapidly.
- **Bottlenecks from on-premise systems**: For teams working remotely, it's difficult to access slow, on-premise financial management systems that were not built to support today's business-continuity needs.
- **Staff management challenges**: Regardless of whether businesses have experienced a spike or slump in demand, all companies have faced challenges in managing resources effectively. Businesses have also had to keep workers safe from infection, help them if they fall unwell, and provide support to employees as they make the shift to working from home. Especially if the organization's infrastructure can't support them.
- **Cash constraints**: Accelerating cash is a priority for all companies. Leading functions have a critical eye on the high fixed costs of running finance operations with limited cash available for capital expenditure. And if working capital is locked within receivables and payables, and there's revenue leakage through T&E and unaudited payments, companies face additional hurdles.
- **Operational inefficiencies**: Legacy enterprise resource planning (ERP) systems, siloed processes, and poor service placement design make it difficult for businesses to improve productivity and operating efficiency.

So how can finance functions quickly improve performance and build business resilience?

The finance-as-a-service imperative

By adopting a finance-as-a-service (FaaS) model, CFOs and their teams can craft fast responses to emerging business needs and generate valuable foresight to improve decision-making. Especially essential in turbulent times.

Finance-as-a-service is an agile and future-focused service delivery model. It combines best-in-class finance operations management practices with advanced technologies - such as cloud-based ERPs, artificial intelligence, and intelligent automation - to make finance more agile and forward-looking.

With this new digitally enabled service model, F&A can improve working capital, deliver faster, more accurate forecasts, and bring down operating costs. It can also help finance organizations standardize and automate time-consuming, repetitive manual processes.

The FaaS approach helps CFOs in many ways:

- **Real-time financial data and insights**: Consolidating and connecting data sources with reporting systems creates a single source of truth that gives teams access to real-time, quality insights to improve cash flow, forecasting, planning, and performance management.
- **Cloud-based ERP and digital technologies**: Unlike on-premise systems, cloud-based technology is easy to access, even from remote locations. The ability to respond at speed to changing needs and create better user experiences enables a faster and more accurate financial close, for instance. It also makes it far easier to unlock innovation and bring flexibility to applications management.
- **Minimal cash outlay**: FaaS significantly reduces fixed finance operating costs, regardless of ERP license cost and the scale at which the business is operating. Faster deployment and lower upfront and operating costs mean companies have more cash in hand and can realize higher ROI from making the transition much faster.

- **Rapidly scalable operating model**: Subscription-based pricing and the ability to quickly ramp up or down to match the volume of transactions and better support disaster-recovery plans make this model truly elastic and scalable.
- **Ready for the rebound**: FaaS eliminates technological and process blockages while delivering agility, better controls and governance, reporting, and innovation so that companies are in a stronger position for the future.

A case in point

A leading US insurance company was struggling with manual processes and a range of unconnected applications across functions, including record to report, order to cash, accounts payable, and travel and expense. The firm had only taken initial steps with digital technologies, which meant that the cost of finance was high, with inefficient processes and a limited view of operational performance.

The insurer adopted a FaaS approach. With a cloud-based ERP providing a uniform operating interface across all sub-functions, the finance team could easily automate processes, introduce digital technologies to improve performance, and deliver better operational insights for smarter decisions.

Thanks to these changes, the insurer expects to reduce its financial close cycle time, plug revenue leakage, and bring down costs in operations by up to 40%.

A single view of the whole business

Companies need real-time access to critical information, but legacy systems and processes can't provide a big-picture view.

The FaaS model helps finance deliver better outcomes, such as improved cash inflow, accurate forecasts, faster close, better controllership and compliance, and smoother user experiences.

FaaS also makes your operating costs more predictable, so if your transaction volumes increase or service offering must expand, you can track what that would look like. It also gives your workforce greater freedom to focus on higher-value tasks and generate the insights the business needs to help chart the right path for growth.

At a time when businesses face huge uncertainty, finance functions that adopt a FaaS approach can establish stability, grow, and build long-term business resilience.

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