More Efficient Processes Make Time for Finance Insight

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This essay is part of a series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*, which asks industry thought leaders for their opinions on critical issues facing today's finance organizations.

Leading finance organizations have been increasing their process efficiency in order to free themselves for a shift from the traditional role of historical reporting and scorekeeping to that of supporting the enterprise with valuable business insight.

Q How can finance leaders make the case for process efficiency, and how can they standardize processes across a heterogeneous enterprise with businesses around the world?

Despite great strides in finance function efficiency over the last two decades, there is little room for complacency. "Knowledge workers" typically spend 25 percent of their working day simply looking for information. And the ever-broadening scope of compliance, regulation and disclosure requirements can distract finance from its main purpose – serving its 'customers' across the enterprise.

Given this backcloth it is relatively easy to make the case for change. Greater process automation, linked to compliance and control, sets the conditions for driving down transaction costs and allowing more energy to be devoted to gaining business insight rather than mechanically manipulating data. At the same time, a more standardized approach provides a more fulfilling and rewarding user experience, allowing personnel to concentrate on exceptional conditions rather than mundane transaction processing.

Yet, despite these compelling reasons for unifying processes and promoting best practices, a step change in process often remains tantalizingly beyond businesses' grasp. So what are the best strategies for driving standards?

Benchmarking against other world-class organizations is helpful for establishing the need. Both external and internally generated benchmarks of finance function effectiveness (for example, staffing ratios, time to close, and cost per transaction) can act as a stimulus for change, identifying areas of over- and under-performance. But benchmarking can be a blunt instrument. No two organizations are identical, so a collaborative approach is essential for securing user "buy-in." This is especially true when working in multinational organizations with different languages, customs, cultures and business practices.

New regulations can also be an important catalyst for change. We can all remember how Sarbanes-Oxley brought about a sea-change in attitudes toward financial controls despite initial inertia to change.

The current vogue for shared service centers has also provided a valuable platform for driving a standardized approach. The introduction of global accounting standards, especially in Europe and the Asia-Pacific region, has allowed organizations to iron out differences in their financial processes and, using unified technology platforms, adopt a much more coherent and streamlined approach.

But how can the controller's team standardize processes and data across a heterogeneous enterprise that has multiple and different businesses embedded within it? The concept of core or immutable requirements is a good place to start. Left to their own devices, most entities within a multinational business will plead that they are a special case. But in practice, it is usually feasible to define a common set of core requirements and processes for any organization. Nevertheless a 'one-size-fits-all' approach is unlikely to work in most situations. Therefore, the drive for standardization needs to take account of genuine local needs, statutory or otherwise. The key to resolving this conundrum lies in retaining sufficient flexibility to accommodate local needs without compromising the core.

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So how does this enable the finance team to provide fact-based advice on the most strategic decisions? Uniform processes do not of themselves guarantee strategic alignment, i.e. that organizations take decisions in accordance with their declared strategy. But standardization is a vital link in the chain between strategy setting, developing performance measures and ensuring that the organization is strategically aligned. Armed with a clear understanding of business metrics and standardized processes, the finance function is free to add value to strategic decisions and provide business leadership, unencumbered by underlying differences in processes and performance measurement.

About Gary Simon

Gary Simon is the Group Publisher of FSN Publishing Limited, Managing Editor of FSN Newswire and the author of many product reviews and white papers on financial software. Simon is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society, with more than 23 years of experience implementing management and financial reporting systems. Simon was a partner with Deloitte for more than 16 years and has led some of the most complex information management assignments for global enterprises in the private and public sector. Gary Simon may be contacted at gary.simon@fsn.co.uk.

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