Re-inventing finance as an integral part of the Digital OneOffice

10 critical success factors to bring finance out of its back-office relegation

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Foreword

“We have an unprecedented, once-in-an-era opportunity to make rapid, fundamental changes to the way we design and run our businesses. This opportunity forces us to rethink our skillsets, our careers, and the places where we work. This is a time to revisit those values important to us and to challenge our appetite for learning new techniques and ways of conducting business.”

Phil Fersht, December 2020

Infosys BPM and HFS Research are excited to present this research study, offering a nuanced view into the new demands from the finance organization, the challenges in designing and delivering on finance transformation initiatives, getting in front of pandemic-related disruption, and ultimately providing a view into the emerging best practices to elevate finance as a strategic business driver.

While adapting to the “New Normal,” Infosys BPM is objectively focused on “Navigating your Next” – the future of enterprise business process management. We have experienced rapid commoditization of transactional stand-alone processes and an increased appetite for automation, driving insights in transforming the finance function. We conclusively believe that following trends will shape the future of finance function:

1. **Future workforce:** Digital workers revolutionizing the workplace. We have seen it in the movies and now it’s a reality. Future Talent will be a combination of digital craftsmen alongside humans (the potent combination of IQ with EQ – calibrated head and heart) resulting in increased efficiency, effectiveness, improved customer experience and error free delivery.

2. **Automation:** Finance leaders are maintaining a balance between traditional responsibilities, while formulating a corporate strategy with digitization at its core - like automation, AI/ML and self-service tools to improve stakeholder experience with a 360-degree transparent view across the ecosystem.

3. **Consolidation:** Specialized and niche technologies will outrun patchwork solutions, challenging traditional ERP in short-medium term, becoming a target for consolidation in the long term.

4. **Data driven Decision-making:** Encompassing all of this is the need for data integrity, enabled decision-making, insights to improve not just bottom-line but topline and experience.

5. **Enhanced Compliance** in a digital world (increase in online transactions) where the potential for fraud is a real risk.

These themes are corroborated by the global finance & accounting leaders that have participated in this study. Drawing insights from global survey data and first-person interviews, our research reflects the perspectives of hundreds of enterprise finance leaders worldwide, as well as HFS Research and Infosys BPM, thought leaders, and global luminaries. CFOs are performing a balancing act in this volatile environment, ensuring business liquidity as well as keeping things moving on operational transformation. We genuinely hope our research on the steps to execute these goals help you on your journey towards invisible finance.

Happy reading!

Warmly,

Phil Fersht, CEO & Chief Analyst, HFS Research

Kapil Jain, Senior Vice President and Global Head of Sales and Enterprise Capability, Infosys BPM

Executive Summary

HFS, in partnership with Infosys BPM, reached out to 250 finance executives around the globe and across industries in Q1 and Q2 2020 to understand the future of finance. The study was augmented by 92 additional respondents during Q3 2020 to understand the impact of COVID-19 on finance organizations. This report highlights these enterprises' responses to the pandemic and the evolution of the finance function's priorities as it becomes more strategically valuable to the business.

1. As an enabler of top-line growth, finance has a critical role in the Digital OneOffice.

• Ninety-one percent (91%) of finance and accounting (F&A) leaders believe that successful F&A transformation impacts the whole service experience for end customers and internal employees.

• Finance needs to be driving the OneOffice organization, integrating across the front-, middle-, and back-office activities to focus on customer experience. Eighty-nine percent (89%) of F&A respondents agree that finance has an important role to play in the OneOffice journey.

2. The pandemic is forcing finance to simultaneously protect the business and adapt to the new reality.

Seventy-eight percent (78%) of finance executives focus on insulating their business from volatility, ensuring cash flow through capital expenditure freezes and cost reductions, and accelerating digitization to achieve the virtual OneOffice.

• There is no stalling on have-to-have technologies, as 75% of respondents are continuing with their plans for ERP (Enterprise Resource Planning system) rationalization and planning investments for automation, analytics, and cloud.

• Outsourcing demand is increasing, but new expectations are arising on cost and digital transformation. We asked respondents a hypothetical question, and sixty percent (60%) believe to some degree that if COVID-19 settled down within three to six months, they would accelerate outreach to F&A service providers.

• The pandemic has forever changed the service delivery model, with 44% of enterprises being open to 75% or more of their finance operations being run remotely.

3. Ten critical success factors are needed to transform enterprise closer to “invisible finance”, including facets of Applied AI, Cognitive Automation, Intelligent Analytics, organizational design, alliance partnership ecosystems, a culture of “Head and Heart” engagement and change management through constant learnability.

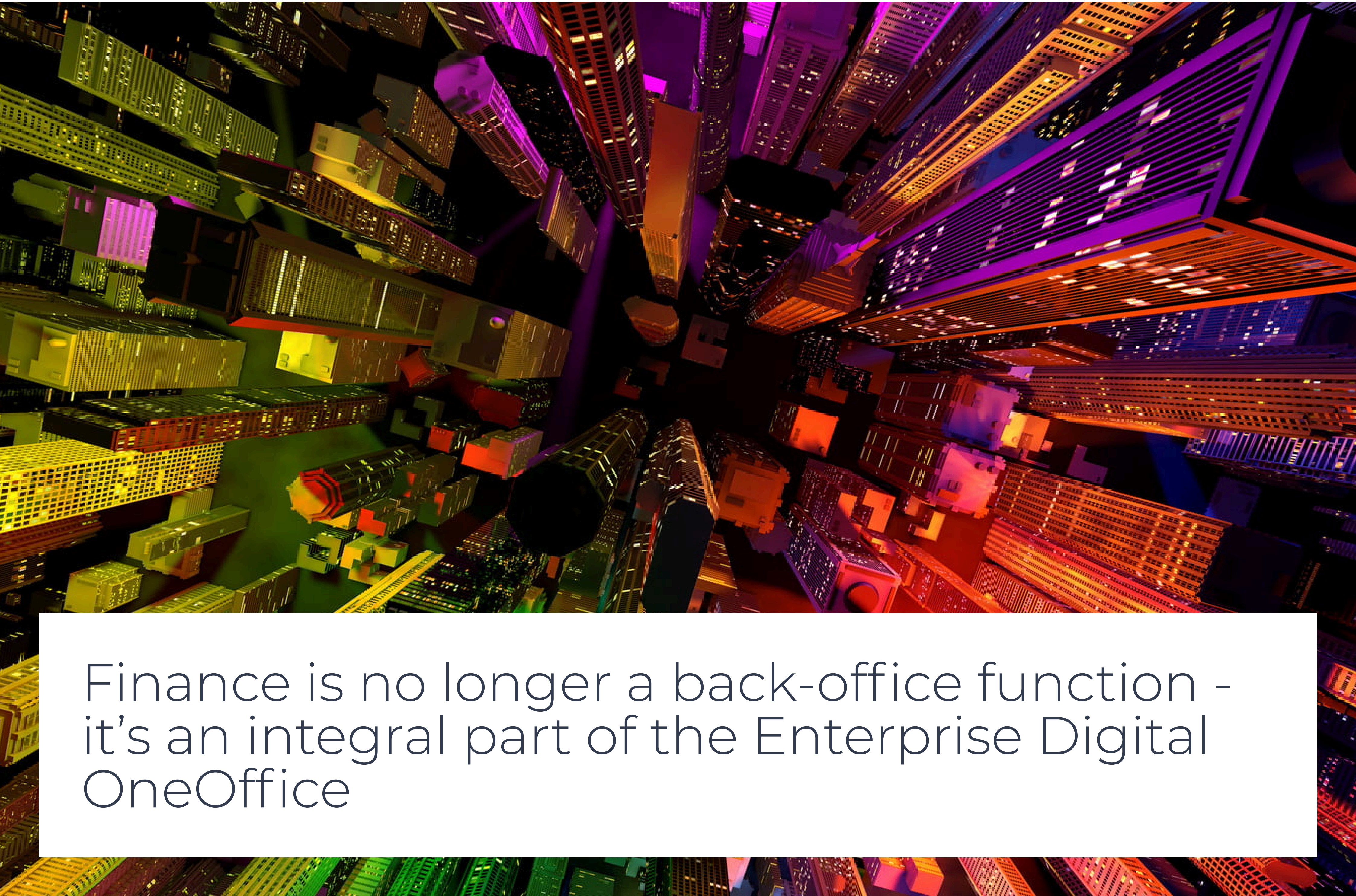
• Ninety-six percent (96%) of CFOs and 85% of other finance executives agree that the future state of an F&A function is where accounting transactions run like water and finance professionals focus on driving strategic objectives. However, very few organizations (12% to 17%) have realized their ambitions on concepts such as continuous accounting or real-time artificial intelligence (AI) and analytics.

• The top five critical success factors, in order of investment priority, are

1. Cognitive automation of transactional F&A powered by applied AI and intelligent analytics
2. Creation of the Finance OneOffice with internal alignment to bring finance out of its back-office relegation;
3. End-to-end data management to sense, comprehend, adapt, and recommend for better decision making;
4. Integrated technology architecture that replaces the patchwork of technologies prevalent across F&A operations today;
5. Creative and specialized finance talent focused on adding value, not just processing transactions.

The Bottom Line: Slay your legacy dragons and cultural silos to create a real Finance OneOffice experience. It’s time for senior F&A leaders to get their hands dirty and work with their middle managers and operational staff to reset priorities for finance. Operating in the post-COVID-19 world will likely require fundamental changes to the operating model, including the re-design of business processes, an up-skilling of core staff, and the infusion of emerging technologies to connect finance more strategically to the rest of the organization. If finance transformation was important before, today, it has become a burning platform for change.

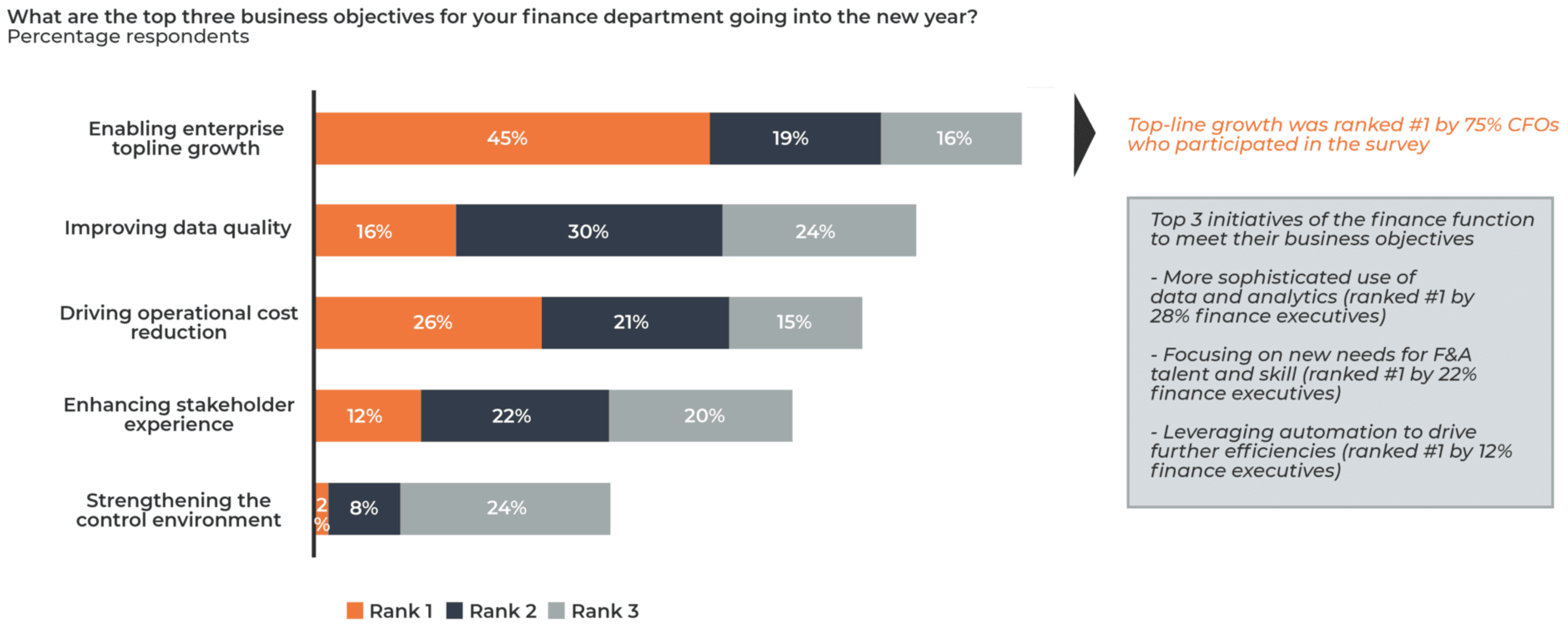
Don’t wait for the future—it is already here. Act now!



Finance is no longer a back-office function - it’s an integral part of the Enterprise Digital OneOffice

Seventy-five percent (75%) of surveyed CFOS ranked top-line growth as the #1 business objective for finance. The role of the smart CFO is evolving from being the bottom-line and compliance enforcer to being a trusted business partner driving profitable growth (see Exhibit 1). Finance as a whole is emerging as a critical business partner to power organizational business imperatives, including driving growth, entering new markets, launching new products, and improving customer experience.

Exhibit 1. **The role of the smart CFO is evolving from being the bottom-line and compliance enforcer to being a trusted business partner driving profitable growth**



Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

Ambitious organizations must have an operating framework for the future that maps out how critical functions like F&A are firmly integrated into the broader commercial (front office) goals of the organization. Our research finds overwhelming agreement that successful F&A transformation impacts the whole service experience for end customers and internal employees (91% agree). This will require an evolution in the way in which finance operations are run today.

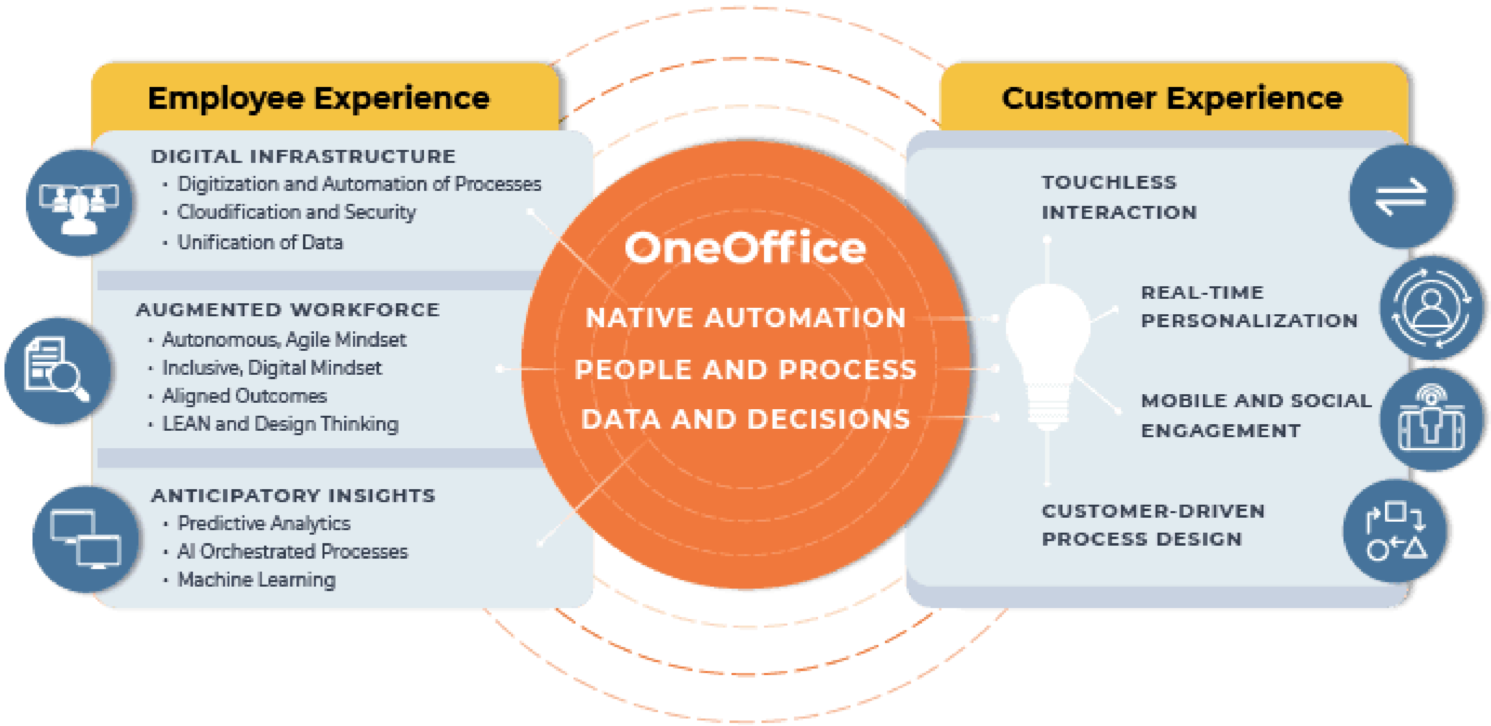
The Head of GBS Financial Services at a global hygiene and health company remarked on this shift,

"Our roles are absolutely changing. What is required from us now is supporting the business more as a partner and not just running transactional processes. This has been changing for quite some time now."

For many enterprises, shared services and outsourcing (SS&O) have been a fundamental part of the operating model fabric in the last two decades. Over 75% of respondents in our research use some combination of SS&O to run major transactional processes. Now, CFOs are turning to their shared services or Global Business Services (GBS) heads and external service partners to help them not only run but also transform the finance function. The value proposition, value creation levers, underlying talent requirements, and role of third parties have evolved significantly over the years to cater to this need. Nearly 90% of finance leaders agree that shared services and outsourcing has helped meet cost objectives and accelerated their finance transformation initiatives.

Finance leaders will need to work with their services and technology partners to envision a new set of capabilities (skillsets, culture, organizational design, and incentives) to deliver on the OneOffice organization (see Exhibit 2). The Digital OneOffice is where teams function autonomously across both front-office and back-office functions to promote broader processes with real-time data flows that support rapid decision making. It's where the front, middle, and back offices will cease to exist, as they will be, simply, OneOffice.

Exhibit 2. **The HFS Virtual OneOffice™ Organization**



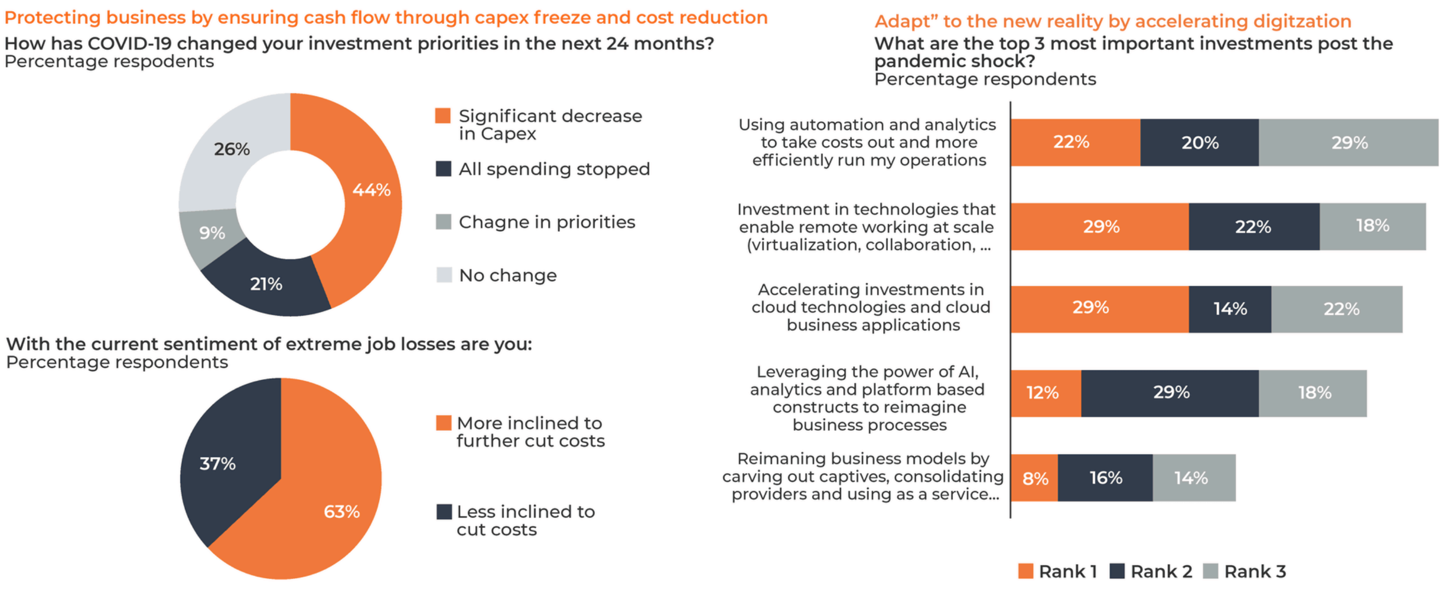
Finance needs to drive the OneOffice organization, integrating across the front-, middle-, and back-office activities to focus on customer experience. Eighty-nine percent (89%) of F&A leaders in our research agree that finance has a vital role in the OneOffice journey. Hence, the finance function must become the arbiter of real-time data to support key decisions around the competitive strategy of the firm, where divisions between departments cease to exist, and finance staff are measured on the same metrics, usually improved customer experience, profitability, and data quality. In the next section, we present 10 critical success factors to help finance leaders execute their OneOffice journeys and become central to their organization's growth strategies.

COVID-19 is pushing finance organizations to do even more with much less

The pandemic shock exposed the fragility of our business processes, held up by antiquated legacy systems, manual fixes, and unsustainable workarounds. Many enterprises are taking this time to re-visit how their core business processes work, screen for the highest risks and exposures, and simulate and implement new workflows that are executable with remote teams to cut costs and improve results.

To survive and succeed in the new reality, 78% of finance executives focus on insulating their business from volatility. This means that they need to simultaneously protect their business (by ensuring cash flow through capital expenditure freezes and cost reductions) and quickly adapt to the new reality (by accelerating digitization to achieve the virtual OneOffice) (see Exhibit 3). This requires a completely new operational playbook that carefully balances conflicting priorities.

Exhibit 3. **COVID-19 is forcing finance organizations to simultaneously protect their business and quickly adapt to the new reality**



Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

We've identified below the three most important operating model considerations for F&A organizations post the pandemic shock:

1. Maintain a laser-sharp focus on ROI and "have-to-have" investments.
2. Expand levels of third-party outsourcing to accelerate digital transformation while keeping costs down.
3. Rethink the finance delivery model as "work from anywhere" becomes a palatable proposition.

Maintain a laser-sharp focus on ROI and "have-to-have" investments

While 35% of finance organizations plan to postpone broader transformation roadmaps, nearly 75% are continuing with their plans for ERP rationalization. Using automation and analytics to take costs out and more efficiently run operations, investing in technologies that enable remote working at scale (virtualization, collaboration, and security), and accelerating investments in cloud technologies and cloud business applications are the top three investment areas for finance organizations post the pandemic shock (see Exhibit 3).

Crisis management over the last few months has shown that it is possible to change business processes and operate in ways we never imagined before. We have also learned the importance of collaborative technologies, scaled automation, and data and analytics to help make time-critical decisions that impact the financial well-being of our enterprises.

As an example, a Fortune 500 manufacturer recently shared with HFS how, in the last couple of months, it started combining its P2P and O2C transactional data with external coronavirus datasets, combining customer data along with COVID-19 infection data at the country level. Its Group Vice President, Head of Advanced Process Analytics, noted, "This lets us look at special situations, such as evaluating how we are impacted in China, where our suppliers or customers are, and if it's possible to deliver products there or get supplies from there. With this kind of transparency, we are discussing with real facts with our vendors. If there are issues, we can investigate immediately with our process intelligence tools."

Expand levels of third-party outsourcing to accelerate digital transformation while keeping costs down

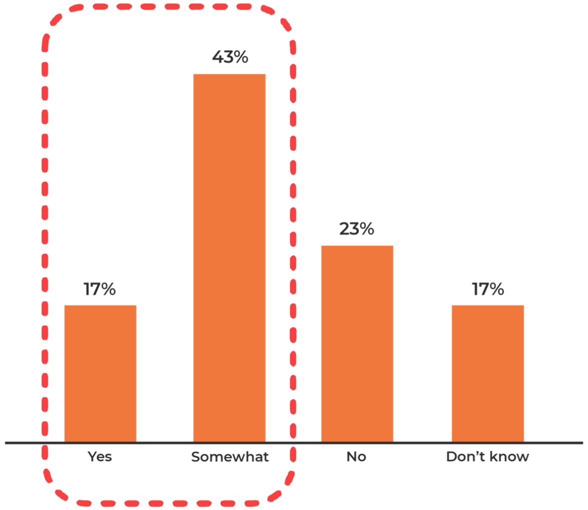
No-one can predict with a high level of certainty, about when the pandemic-related business disruption will subside, and when the global pandemic itself will be largely contained. Thus, we posed our respondents a hypothetical question to gauge the influence of the pandemic on engaging with third-party F&A service providers. Sixty percent (60%) of enterprises in our study believed to some degree that if COVID-19 settled down within three to six months, cost pressures and making up for lost time would result in more outreach to F&A service providers (see Exhibit 4). However, enterprises will measure service providers against new expectations.

"The service providers have to be cost-competitive. They ought to think about new ways of working and reducing cost while delivering value," stated an F&A leader in our research.

Given the cost-cutting environment we are entering, we expect automation-based renegotiations and new as-a-service agreements to come to the forefront in the next few years.

Exhibit 4. **Expanding levels of third-party F&A outsourcing post COVID-19**

Assuming in 3-6 months COVID-19 settles down, do you think with increased cost pressures and to make up for lost time, there would be a greater reach out to F&A service providers, and consequentially the demand will far exceed the supply?
Percentage of respondents



Sample: 30 F&A executives across the Global 2000, September 2020
Source: HFS Research in partnership with Infosys BPM

Rethink the finance delivery model as "work from anywhere" becomes a palatable proposition

Almost half (44%) of the enterprises in our analysis are open to 75% or more of their finance operations being run through a remote working setup. Work-from-home (WFH) is an extension of what the shared services and business process outsourcing industry had been doing from the start, operating outside of a client's brick and mortar facilities to run major finance operations. Over the last few months, this model quickly gained cultural acceptance, and it has forever changed how services delivery will look.

Having the capability to provide a WFH model as a secure and flexible lever will be the new expectation for shared services and BPO services. WFH releases some of the constraints that the industry has had with accessing talent.

A mass expansion of WFH models will not be without its challenges, especially around data privacy, intellectual property (IP) security, and a lack of computing infrastructure, especially in the developing world. Security in the WFH environment will be a big-deal problem requiring a quick solution if we must move all kinds of processes, especially industry-specific ones, to a WFH model.

But the challenges are not insurmountable, as the industry has proven over the last few months, and constructing a delivery model that isn't tied to delivery centers will ultimately benefit enterprises and their shared services, GBS organizations, and service providers as they flexibly source and foster talent.

One client remarked on how its strategy around finance, and specifically finance operations, is changing to support the way its company is adjusting to the mid/post-COVID environment, stating, "Our strategy is continuing to evolve by looking at where the work is being done and across which teams, with a view to continuing to break down the work silos or myths about everyone needing to be in an office or close to the business operations to provide finance support."

Transactional finance must become "invisible" to allow finance professionals to focus on strategic finance objectives

HFS defines "invisible F&A" as the state of an F&A function where accounting transactions run like water and finance professionals focus on driving strategic objectives. Invisible finance will result in continuous accounting requiring no waiting to close books, effortless payables and receivables with near-zero cycles, and real-time analytics capabilities enabling proactive decisions.

Ninety-six percent (96%) of CFOs and 85% of other finance executives agree that the future state of an F&A function is where accounting transactions run like water and finance professionals focus on driving strategic objectives.

Despite the burning desire to achieve the Finance OneOffice through "invisible transactional finance," very few enterprises have realized their ambitions:

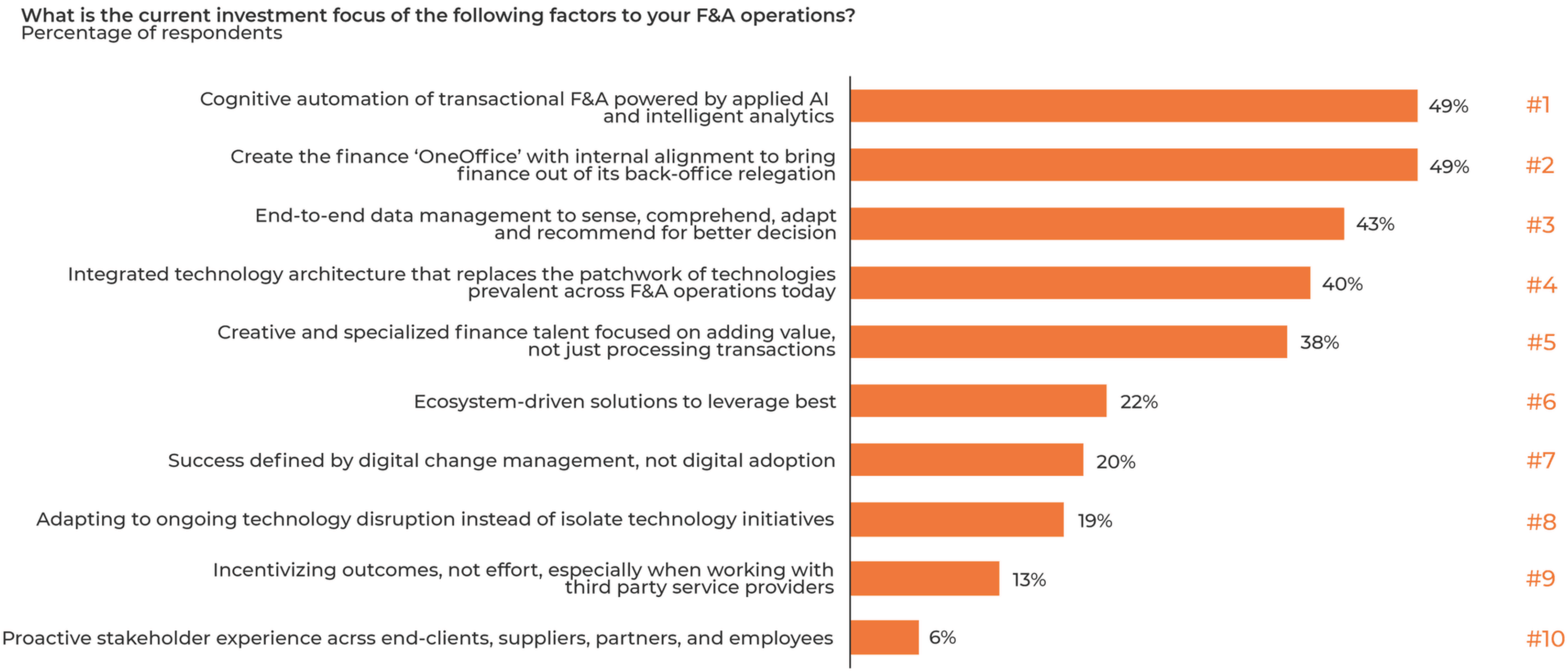
- Only 15% of finance executives believe that their company already has a "boundary-free" F&A organization by collapsing the information, process, and tech silos between our front, middle, and back offices.

- Only 12% of finance executives believe that their company already has near-zero cycle time with fully automated and touchless transactional F&A processes.

- Only 17% of finance executives believe that their company already has continuous accounting (i.e., with no lag in closing books).

- Only 13% of finance executives believe that their company already has real-time analytics and AI enabling proactive decision making.

Exhibit 5. **Top 10 critical success factors for making transactional finance "invisible"**

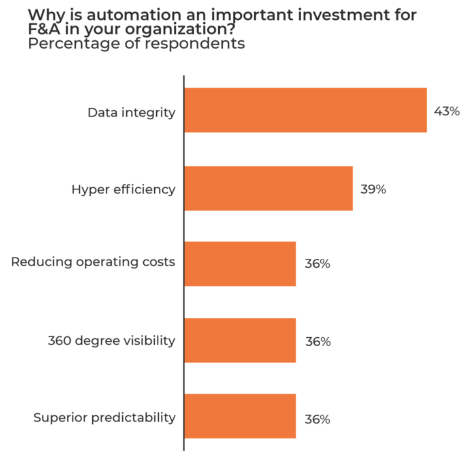


Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

Critical Success Factor #1: Cognitive automation of transactional F&A powered by applied AI and intelligent analytics

Advancements in robotic process automation (RPA), artificial intelligence (AI) technologies including machine learning (ML) and natural language processing (NLP), and smart analytics (SA) are pushing the boundaries of value creation in F&A transactional processes, such as purchase order processing and general ledger transactions. RPA can automate the manual, rules-based tasks, and ML can handle pattern-based exceptions. Cognitive assistants are replacing legacy helpdesk functions.

Exhibit 6. **Critical success factor #1: Automation of transactional F&A powered by the Triple-A Trifecta of automation, analytics, and AI**



Respondents expect that around 27% of F&A processes across O2C, P2P, R2R, and FP&A can be automated by leveraging the Triple-A trifecta

However, only 22-27% respondents have been able to scale up their Triple-A trifecta investments.

Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

Respondents expect that around 27% of F&A processes across order-to-cash (O2C), procure-to-pay (P2P), record-to-report (R2R), and FP&A (financial planning and analysis) can be automated by leveraging the Triple-A Trifecta (see Exhibit 6). This seems like a relatively low figure, perhaps reflecting the lack of scale achieved thus far, leading F&A executives with lower confidence on automatability. Only 22% to 27% of respondents have been able to scale up their Triple-A Trifecta investments. The biggest barriers to achieving greater automation we uncovered tell the full story behind these numbers. Both culture and technology are to blame:

- Concerns about changes in governance and risk management emerged as the single biggest inhibitor to F&A automation, plaguing over a third of respondents in our analysis, followed by the lack of an overall senior management mandate and vision to deploy automation technologies. Legacy processes and systems, stitched together over years, can be difficult to disrupt in the name of automation, and many organizations are struggling to put into place effective governance measures to monitor their bot+human working environments. Further, automation can become a sensitive subject in an organization, and senior management needs to set and share the tone and purpose. If employees haven't bought in and don't share in the vision of invisible finance, your program will struggle to get off the ground.

- On the technology front, data quality deficiencies are holding back F&A automation. If your transaction data isn't clean, you will never be able to build streamlined data pipelines to feed automation and AI engines. On the flip side, data integrity also emerged as the number one driver for investing in F&A automation in the first place. As you build more automation, you get more machine-generated data that can be further used for more accurate analyses—another step toward fully autonomous workflows. Here's a Catch-22 challenge: Different levels of data integrity are both a requirement and a goal for F&A automation, revealing a complex and inter-dependent nature of data and automation efforts.
- Hyper-efficiency is another key goal for automation initiatives, sought by 39% of respondents. When parts of processes are automated, finance leaders are looking for a reduction in turnaround time and manual errors to create highly efficient operational processes.HFS believes that organizations will find value by blending these Triple-A Trifecta technologies (analytics, automation, and AI) instead of pursuing piecemeal projects.

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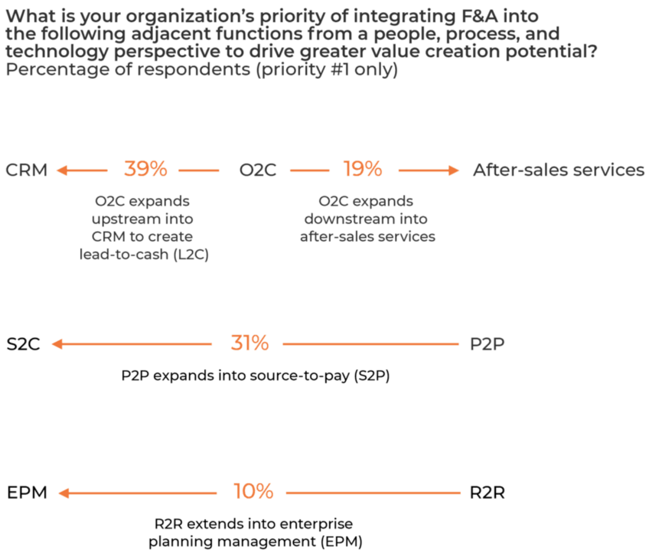
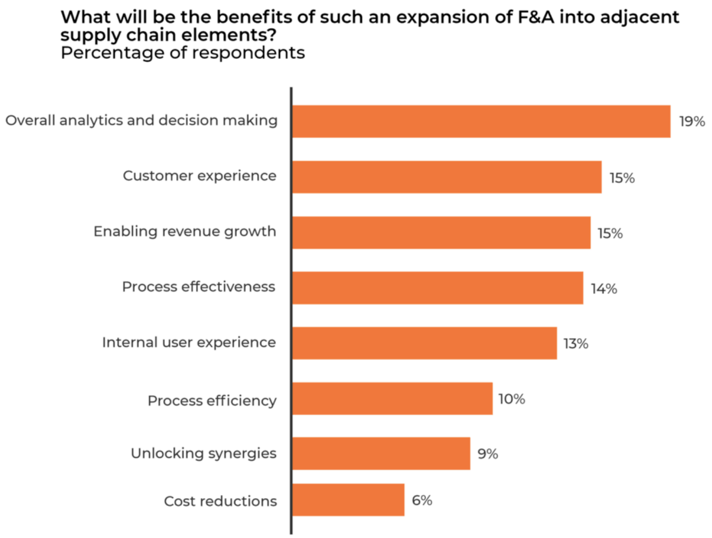
The Head of GBS Financial Services at a global hygiene and health company talks about this shift toward using multiple automation technologies to drive value, "We are trying to achieve automation in different ways, including using RPA and moving more into analytics. Our goal is getting away from repetitive work and having accountants focusing more on analysis." The organization has already been on a two-year journey on RPA, and it envisions analytics investments in the next couple of years. "RPA is more bread and butter for us… analytics is the area we'll start to focus more on now. We're looking at pure data mining as well as process mining, starting with GBS financial processes and then spreading out across the company."

Critical success factor #2: Create the Finance OneOffice with internal alignment to bring finance out of its back-office relegation

F&A's operational transformation journey started nearly two decades ago with the rise of shared services and outsourcing around payables, receivables, and general ledger management. These mostly siloed tasks evolved into end-to-end processes as payables became procure-to-pay (P2P), receivables evolved to order-to-cash (O2C), and general ledger expanded into record-to-report (R2R). Finance was already expanding into procurement and sales organizations; however, it was still mostly back-office focused. To create the Finance OneOffice, P2P needs to expand into source-to-pay (S2P), O2C needs to expand upstream into the CRM space (lead-to-order) and downstream into after-sales services, and R2R should extend into enterprise planning management (EPM).

Exhibit 7. **Critical success factor #2: Create the finance "OneOffice" with internal alignment to bring finance out of its back-office relegation**





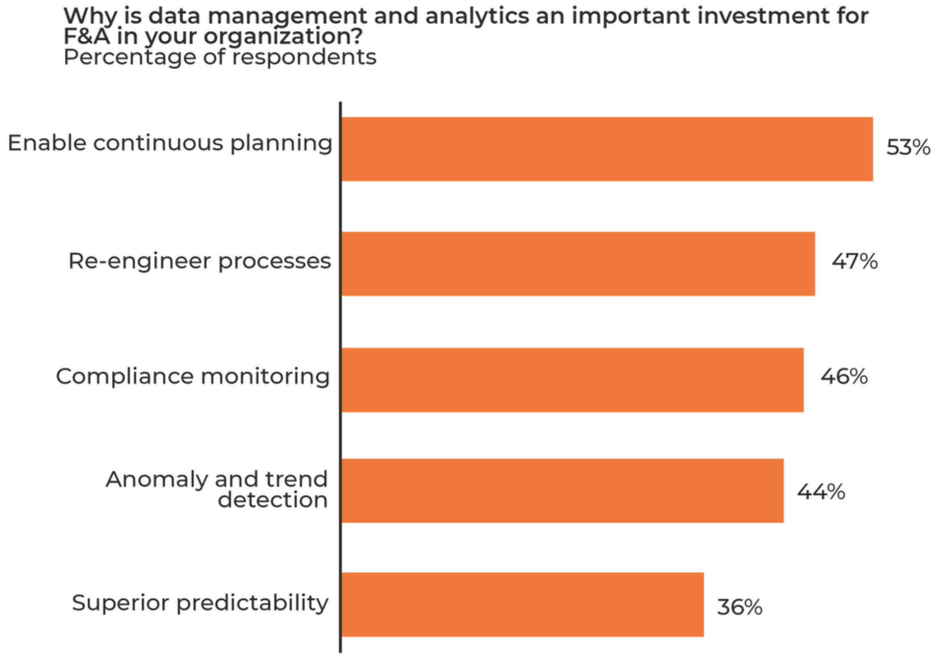
Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

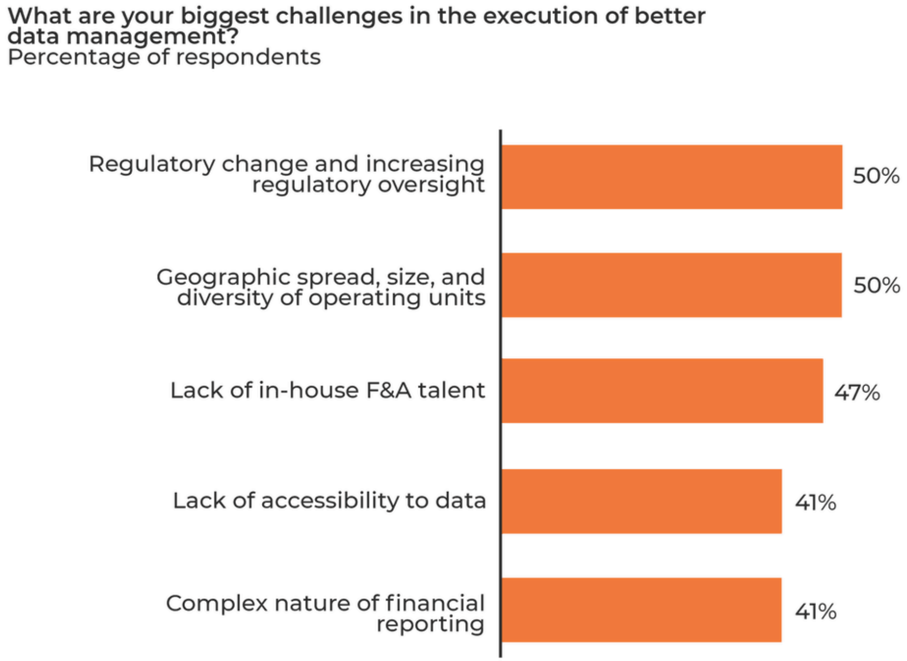
The biggest incentive to make these radical re-alignments is all about building smarter operations. Analytics and decision making was highlighted as the #1 benefit of OneOffice expansion of F&A. Additionally, customer experience (CX) and enabling revenue growth are emerging goals for the modern F&A function, and OneOffice would help them achieve them.

However promising these goals might be, they must be prioritized when it comes to execution. Nearly 40% of respondents are prioritizing the upstream expansion of order-to-cash processes into the lead-to-order cycle, and from a technology perspective, into customer relationship management (CRM) systems. This integration could significantly impact DSO (daily sales outstanding) outcomes, when customer requirements and needs are better understood, leading to fewer delays and disputes later in the O2C cycle. This would mean integrating F&A into CRM from a people, process, and technology perspective to drive greater value creation potential. Further, order-to-cash being expanded downstream into after-sales services is prioritized by 19% of respondents, perhaps to reflect certain industry verticals where this is a relevant opportunity.

Critical success factor #3: End-to-end data management to sense, comprehend, adapt, and recommend for better decision making

Exhibit 8. **Critical success factor #3: End-to-end data management to sense, comprehend, adapt, and recommend for better decision-making**





Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

Everything flows through F&A, and yet we find CFOs still struggling to get insights and visibility. Forget about harnessing insights from unstructured data; even structured data analysis and visibility is a challenge. Thinking of transactional F&A processes, the lack of data integrity is at the heart of why we spend so much time manually fixing and reconciling items to balance and close our books. Finance needs better data and analytics capabilities to make decisions and improve outcomes such as improved working capital, DSO reduction, and smarter receivables management. Our research found that data and analytics are most crucially needed to better undertake continuous planning efforts through quantitative performance dashboards and scorecards.

An operations leader shared this aspect of working with data for better planning: “[With analytics], we can replace opinions with facts…it is easier for people to accept changes when you can justify them with facts. What’s better than getting a warning when something starts to go amiss and then getting to its root causes?”

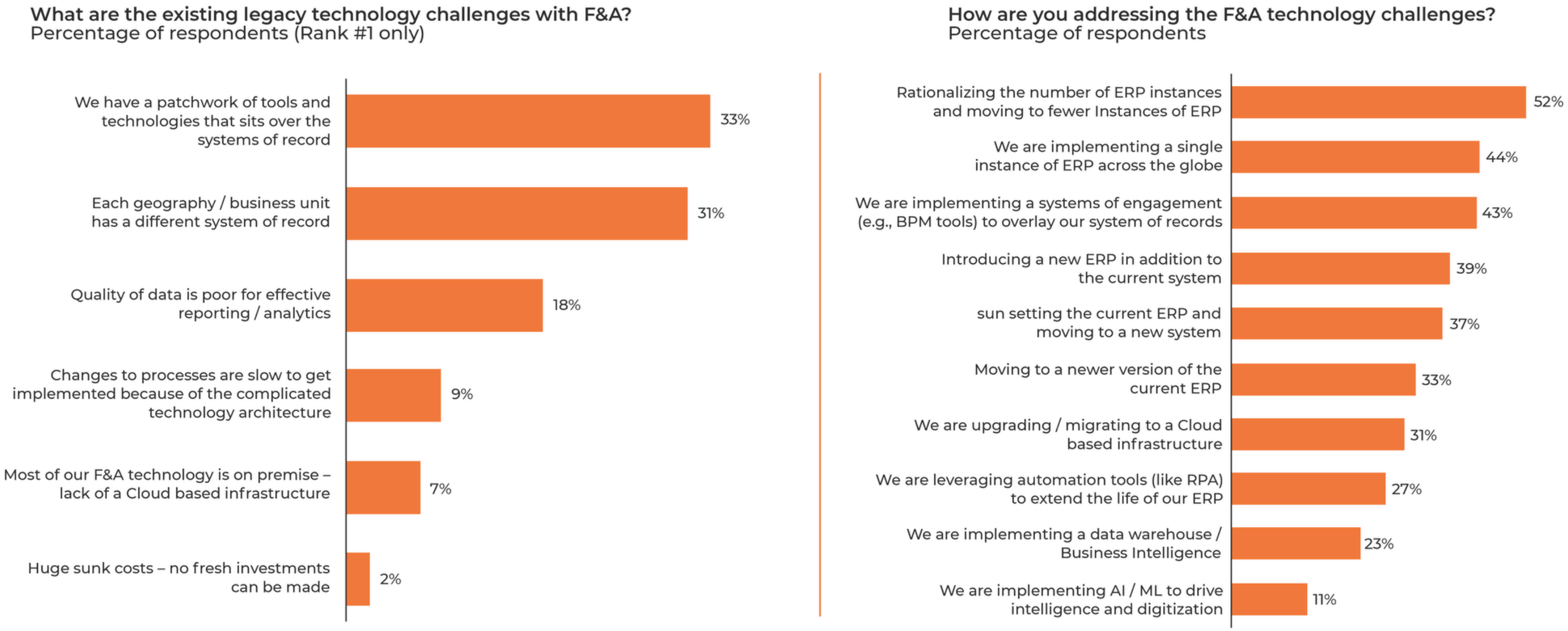
The reality of operating during and after COVID-19 may finally force enterprises to address these persistent data challenges. Finance leaders must fix this capability gap and invest to be able to successfully plan around uncertainty. Smart analytics ultimately augments human decision making when machines that can learn and improve give humans actionable recommendations for decision making. The “humans in the loop,” whether CFOs, operations managers, AP clerks, or FP&A analysts, need better visibility and guidance on where to focus their efforts to make the most impact on financial outcomes.

The SVP of the Procure-to-Pay function at one of the largest telecom companies in Germany is working on this end-to-end data management goal by investing in a process mining platform, using it to combine procurement, accounting, and accounts payable processes into one shared services center. He shared, “With the mining functionality, you can see how your process looks in reality. We have developed the capability to combine process log data with real-time BI data. At the end, you have a tool that can be used by process experts, management leaders, business analysts, as well as functional staff, all experiencing the same views of data with a single source of truth.”

Critical success factor #4: Integrated technology architecture that replaces the patchwork of technologies prevalent across F&A operations

A standalone technology will rarely solve a business problem; instead, a solution often includes a combination of technologies. Finance functions rely heavily on the systems of record (SoRs—the beloved ERPs, SAP and Oracle) for transaction processing. Over the last decade, enterprises have augmented these systems of records with workflows—systems of engagement—to ensure that transactions flow through processes smoothly.

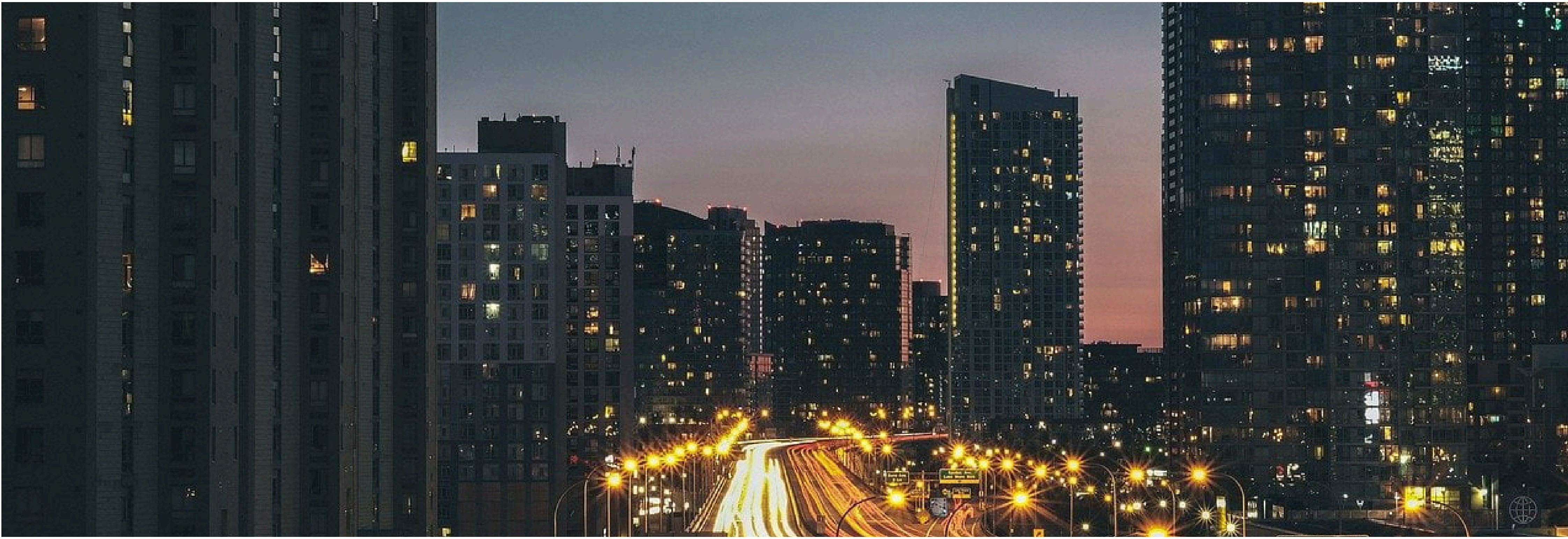
Exhibit 9. **Critical success factor #4: Integrated technology architecture that replaces the patchwork of technologies prevalent across F&A operations today**



Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

In recent years, enterprises have rapidly adopted RPA and AI-powered solutions to further automate these transactions and execute them even faster and cheaper. Automation doesn't fully solve problems, though; businesses are using technology advancements to fix broken processes and extend the life of legacy technologies instead of fundamentally transforming their processes. This technology patchwork is change resistant and provides limited real-time visibility, failing at fulfilling key requirements for invisible F&A. We find that this patchwork of tools and technologies that sit over SoRs is the biggest legacy tech challenge facing a third of F&A leaders, followed by a multitude of SoRs in use holding back 33% of respondents.

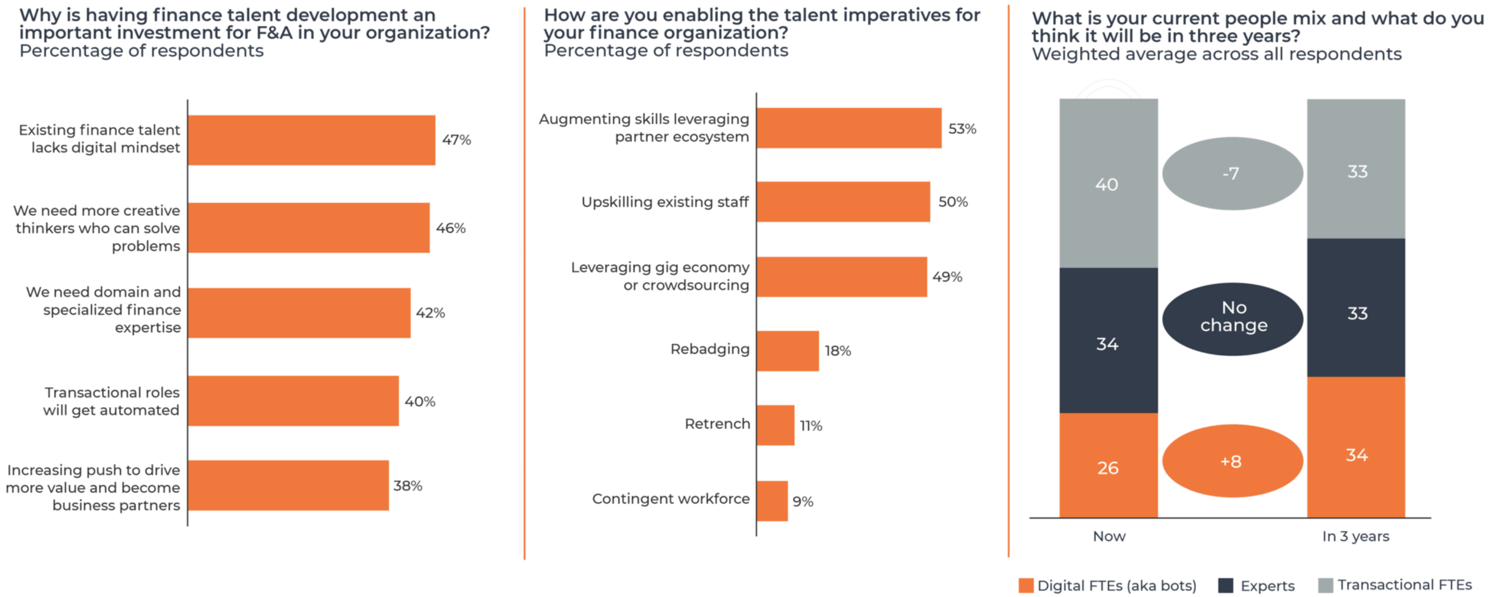
Finance technology solutions in the future will require a fully integrated technology approach. There are several ways you can tackle your technical debt—focusing on ERP rationalization or replacement, investing in modern and intuitive systems of engagement to get more value out of ERP data, embedding Triple-A technologies to drive intelligence and automation, or moving to cloud-based infrastructure.



Critical success factor #5: Creative and specialized finance talent focused on adding value, not just processing transactions

Left-brained talent typifies the F&A function, which is full of operational experts that enable fast operations by following rules. Technology advancements, however, can automate most of these repetitive, rules-based tasks. This means that you now have the opportunity to give your F&A workforce the much-needed help to un-bury them from matching transactions and reconciling accounts manually. But as you change the work profile, you must also rethink the skillsets needed for the future. As of today, finance organizations are coping with this challenge by leveraging their partner ecosystem to augment skills (53% are doing this) while also focusing on upskilling existing internal staff (50% are focusing on upskilling).

Exhibit 10. **Critical success factor #5: Creative and specialized finance talent focused on adding value, not just processing transactions**



Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

Talent development is critical for F&A for a number of reasons. Our study distills that the top driver, according to almost half of finance leaders (47%), is that existing finance talent lacks a digital mindset. This is a must-have for driving process change, along with fostering more creative thinkers (of importance to 46%), and developing domain expertise in specialized finance functions (a need for 42%). As a result of automation, emerging F&A functions will increasingly require right-brained talent.

The Director of Finance at a Canadian energy and utilities firm highlighted this challenge: "The biggest challenges holding us back from achieving finance transformation at a faster pace are finding the right experienced talent to keep moving forward and adapting to changing technologies."

Invisible F&A needs two main skill sets: experts who can deal with high-end F&A activities such as risk, treasury, and decision-making, and creative thinkers who can reach across the business ecosystem to define and design new business solutions. F&A needs to embrace, not resist, change. The talent profile you need may be the inverse of what you have now.

Exhibit 11. **Critical success factors #6 through #10 emphasize ecosystems, change management, incentivizing outcomes, technology disruption, and stakeholder experience**

6. Ecosystem driven solutions because no one can be everything to anyone	7. Success defined by **digital change management,** not digital adoption	**8. Incentivizing outcomes**, not effort	9. Adapting to **ongoing technology disruption**	**10. Proactive stakeholder experience** across end-clients, suppliers, partners, and employees
Who would you consider to be the most important external partners in your finance ecosystem? • Consulting providers (66%) • Large software providers (63%) • SI/IT providers (61%) • BPO providers (58%) • Start ups and emerging players (38%) • Academia (14%) 75%+ focus on fewer number of more strategic partners	Only 40% of firms overall believe that their organizations promote and foster a digital mindset (only 28% of large firms over $5B) How are you driving cultural change in your organization? • Focusing on experience (46%) • Adopting a distinct change management philosophy / framework (38%) • Investing in training (38%) • Capturing and analyzing behavioral data (35%) • Leveraging design thinking extensively (31%)	How are you changing the incentive structures for internal F&A employees to drive the behavior that you expect? (Rank #1 only) • Incentivizing output (outcomes realized), not input (hours worked) (34%) • Encouraging focus on higher value activities (24%) • Aligning F&A activities with end customer impact (22%) • Incentivizing the use of data and analytics to drive better decision making (11%) • Incentivizing cross-team collaboration (10%)	How is your finance function keeping pace with the rapidly changing technological innovations? • Strong collaboration with our IT/ digital function (55%) • We are talking to more analysts and reading more research on F&A technologies (50%) • We've established a COE within finance to keep abreast of the technological changes (47%) • We are encouraging F&A staff to take more tech certifications and courses (45%) • IT/ digital reports into Finance (42%)	How are you gearing your finance function to improve the overall stakeholder (employees, other business units, end-customers)? • Improving the user interface (58%) • Improving the linkages between finance and other functions (e.g., customer services or sales) (54%) • Increasing Self service functionality (53%) • Leveraging design thinking to understand stakeholder needs (44%) • Greater engagement through social media (34%)

Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

Critical success factor #6: Ecosystem-driven solutions to leverage best-of-breed capabilities across multiple partners

Successful finance functions of the future will need to develop symbiotic relationships across the ecosystem (start-ups, academia, service providers, technology providers, and platform players) to exploit market opportunities and accomplish their goals. Legacy service delivery models for transactional F&A operations will take a back seat. Third-party service delivery cannot be the black-box service delivery style of the past. Contracting and KPIs are not keeping up with the pace of change; companies must update traditional measures and metrics to reflect the outcomes they want. The first step is moving away from labor-based models. A partnership approach to service delivery will drive success.

The Group Vice President, Head of Advanced Process Analytics at a global manufacturing firm weighed in on the different types of partnerships needed, stating, "The 'McKinseys of the world' won't solve all your problems. Applying emerging technologies to operations, you are somewhere between business process and IT, and are typically the bridge between the two but not on a strategic/high level. Looking at deployments and partnerships rolling out these types of things, [your services/tech partner] need business knowledge, process knowledge, and knowledge of IT systems."

Critical success factor #7: Success defined by digital change management, not digital adoption

Businesses realize that simply throwing money at a new technology will not yield the desired results, but carefully developing a method to the madness will. Finance functions need change-management approaches that are agile, measurable, and iterative. Scaling up digital initiatives and enabling the right governance model are also critical points. The focus has to be on changing the internal culture to support the objectives of invisible finance.

Only 28% of large firms over $5 billion believe that they are fostering a digital mindset for their workforce. This is a telling statistic—the larger the company, the more “buried” its F&A workforce is in transactional activities, without the support of their organization to think creatively about how digital technologies could help their performance. Your F&A professionals have the potential to be at the center of your innovation and digital transformation efforts, and at the heart of this is not technology but culture and change management.

Critical success factor #8: Incentivizing outcomes, not effort, especially when working with third-party service providers

Outcomes are what matter in the end. The ability to codify outcomes in contractual agreements, pricing structures, and performance measures is critical. While there is no nirvana around pricing and contracting for F&A services, businesses need to implement them based on unique requirements and context. The flexibility to put skin in the game with innovative and non-linear commercial models is important to incentivizing the right behavior—both internally and externally with your partners.

As the global pandemic continues to create more market uncertainty, CFOs need to see more visibility and accountability than ever before into how internal staff and external partners are contributing toward key finance outcomes and KPIs. If cash preservation is the number one valued metric to cope with COVID-19-related cash crunches, how can the finance organization best operate to deliver on it, including your external services partners?

Critical success factor #9: Adapting to ongoing technology disruption instead of isolated technology initiatives

Technology is advancing at a phenomenal pace and promises to generate more value with an even lower cost-base. Finance and GBS leaders are increasingly becoming not just influencers, but decision makers on technology buys along with IT. As a result, you now need to be well versed on technology advancements in your major systems of record, transformation platforms, and emerging technologies that can be applied to F&A. Our research finds a greater appetite for getting outside-in perspectives, with 50% of respondents focusing on research and analyst insights on F&A technology disruption.

HFS sees a multitude of emerging technologies that can potentially impact finance. The rise of digital as-a-service platforms such as Concur, Tradeshift, BlackLine, Trintech, HighRadius, and OmPrompt is changing how we think of traditional F&A value chains.RPA and elements of AI are finding their feet in F&A. We are witnessing the rise of smart analytics through the development of visualization tools with simulation capability. Blockchain, or distributed ledger technology (DLT), offers a disruptive future vision for F&A (e.g., to eliminate accounts payable as a resolution intermediary).

When it comes to execution for these emerging technologies, HFS often sees the business-IT divide come up as a key challenge. Who owns ownership and accountability for implementing emerging tech between the two, and how should the organization be set up? Stronger connections to digital and IT counterparts are part of the answer for finance leadership to stay ahead on technology (55%), along with F&A's own efforts to set up centers of excellence (COEs) on specific technologies (47%). The bottom line on disruption is that kicking the "emerging technology can" down the road is no longer an option for finance functions. The cost of investigating an emerging technology is far lower than the cost of an "Oh, crap!" moment two years from now if you ignore it.

Critical success factor #10: Proactive stakeholder experience across end-clients, suppliers, partners, and employees

Anticipating and understanding stakeholder needs, collecting the right data, implementing self-service, and engaging through social media are emerging as top priorities for stakeholder experience strategy. As organizations spend time and energy to innovate the front office, they need support from an agile and responsive back office. The biggest culprits are siloed internal processes that act as barriers preventing them from achieving their business goals. To facilitate this ambition, 58% of finance leaders want to improve the user experience for business stakeholders to become better business partners to the rest of the organization.

The Bottom Line: Slay your legacy dragons and cultural silos to create a real Finance OneOffice experience.

On-the-ground realities of transforming F&A operations throw up distinct challenges in progressing toward the Finance OneOffice. Finance executives are burning out on multiple cycles of transformation as each new emerging technology comes to the fore and promises benefits anew. Further, with all the talk of CX impact, these initiatives ultimately keep coming back to operational cost reduction. We also observe a difference of perception between the executive and operational branches of finance, with culture continuing to remain an understated challenge:

· **Transformation fatigue.** Eighty percent (80%) of respondents believe that F&A organizations have struggled to fully embrace and embed emerging technologies within core processes despite the promise of technology transformation. There's always a shiny new technology to chase, from RPA to ML to blockchain. This piecemeal approach to technology transformation has not served us well, and it runs the risk of obsolescence as the next technology appears on the horizon.

The Director (Finance) at a Canadian logistics company shares, "What's holding back our finance transformation is that the development and advancement of newer technologies may cause our investments to become obsolete." Many F&A leaders and their organizations are experiencing transformation fatigue as a result.

· **Cost reduction paradox.** Customer and user experience have been repeatedly called out in previous sections as important business priorities and outcomes being sought by F&A leaders. However, CX is the least-impacted category expected as a result of digital technologies in the next two years...most are expecting operating cost reduction now. We say we want to focus on CX, but when we get down to brass tacks, we still expect a key tangible benefit of digital to be cost reduction. The struggle between these competing priorities will worsen as organizations grapple with achieving growth and performance amid pandemic conditions.

· **"Blockbuster" overconfidence.** Organizations are throwing various technologies at F&A processes but not making a lot of progress because many at the C-suite are overconfident and think they are ahead of the curve on investing in emerging tech. Moreover, the level of confidence goes down as you drop from the CFO downward. For example, 67% of CFOs feel that their organization is ahead of the curve on analytics investments vs. 35% of directors. Things are looking rosy at the top, but the reality is different at the operational level. Lastly, only 20% are willing to admit that culture holds them back.

The why (a lot more for far less) and what (the 10 critical success factors) for finance transformation are now clear after intense debates over the last decade. But "how" to go about executing on the aspirations is still a black hole. Execution requires integration in every sense of the word—technology, talent, process, data, organizational change, and leadership—to achieve scale and deliver exponential benefits. The 10 critical success factors of invisible F&A provide a roadmap to that promised land.

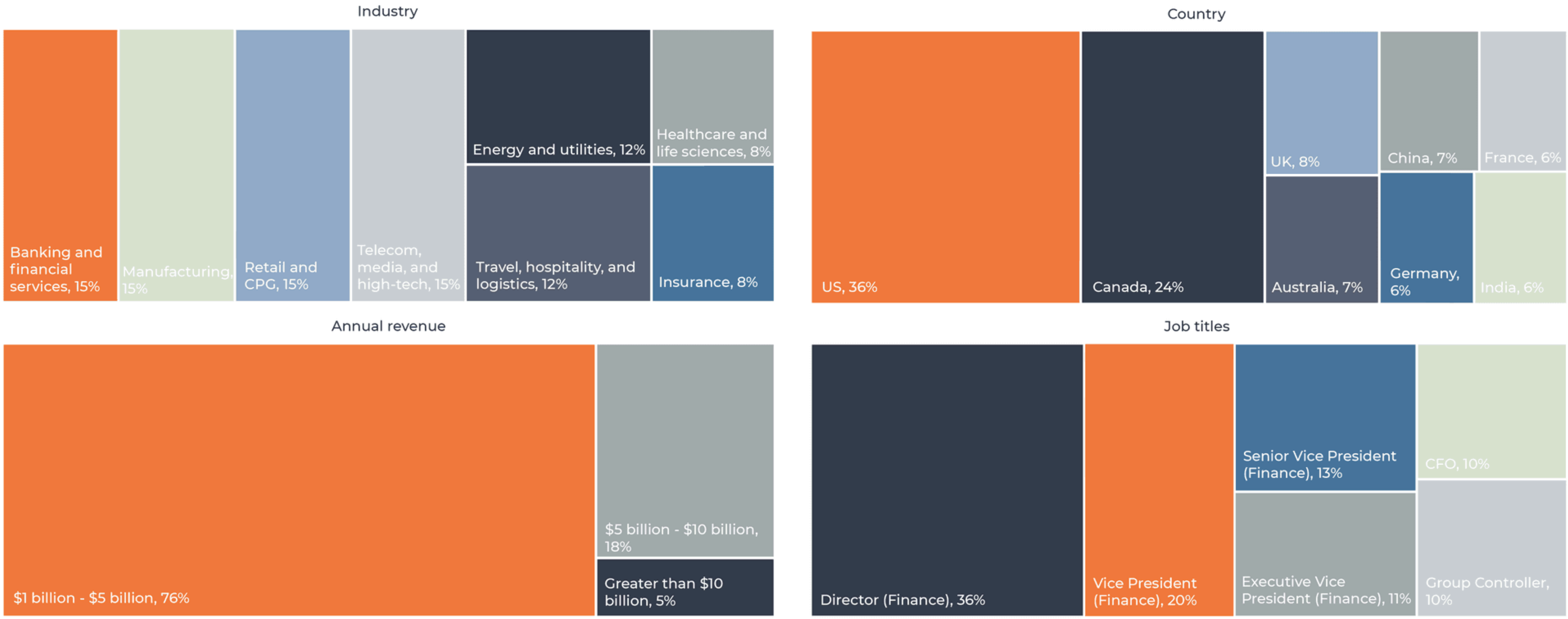
It's time for senior F&A leaders to get their hands dirty and work with their middle managers and operational staff to reset priorities for finance because operating in the post-COVID-19 world will likely require fundamental changes to the operating model, including the re-design of business processes, up-skilling of core staff, and infusion of emerging technologies to connect finance more strategically to the rest of the organization. If finance transformation was important before, today, it has become a burning platform for change.

Don't wait for the future—it is already here. Act now!

Appendix

Research methodology and survey demographics

HFS, in partnership with Infosys BPM, reached out to 250 finance executives across the globe and across industries in Q1-Q2 2020 to understand the future of finance (see survey demographics below). We also augmented the survey with 92 additional respondents to understand the impact of COVID-19 on finance organizations during Q3 2020. The survey results were tested through multiple interviews



Sample: 250 F&A executives across the Global 2000, Q1-Q2 2020
Source: HFS Research in partnership with Infosys BPM

with senior finance leaders.

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Saurabh Gupta is Chief Research Officer at HFS. He oversees HFS' global research function managing the global team of analysts across the US, Europe, and Asia Pacific. He works closely with the CEO to set the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position as the strongest impact thought leader for business operations and services research (view bio and contact details).

The HFS Research team would also like to acknowledge the Infosys team, which has worked closely with us on this report. Special thanks to Vinay G Rao, VP and Strategic Business Practice Head (Finance & Accounting) for their valuable inputs and feedback throughout the research and publication of this report.

About Infosys BPM

Infosys®

Infosys BPM incorporated in the year 2002. Currently with a revenue of USD 1 Bn+ (28% Digital Revenue), we have

- 43000+ Employees
- 120+ Nationalities
- 33 Delivery Centers
- 15 Countries
- 213+ Clients

Operations and Talent:

- 4000+ Digital Workers
- 504 Projects under Business Transformation (Be The Navigator Approach)
- 5000+ participants on New BPM skills and 857 participants on leadership Development
- **Diversity:**
- Employees with disabilities: 149 *(149 in Q1'21)* and
- Women employees: 42-44% *(44% in Q2'21)*

Acquisitions that came along the way

- Acquired Philips' captive BPO arm, taking over 3 of its centers across the globe
- Acquired McCamish Systems LLC, a US-based insurance business process solutions provider
- Acquired Portland Group, an Australia-based leading provider of strategic sourcing and category management services
- Acquired Portland Group, an Australia-based leading provider of strategic sourcing and category management services
- Acquired Stater, Netherlands based leading provider of mortgage servicing capabilities through digital platforms
- Joint Venture Hitachi and Panasonic - Hipus, providing business process transformation leveraging digital procurement platforms for the local and global needs of Japanese corporations

State of Business:

Service Horizontals	Industry Verticals
Finance & Accounting	Manufacturing
Human Resource Outsourcing	Retail, CPG
Sourcing and Procurement	Financial Services
Sales & Fulfilment	Insurance, Healthcare and Life Sciences
Customer Service	Energy Utility Services
Legal Process Outsourcing	Communication, Media and Entertainment
Industry Solutions	Hi-Tech
Digital Business	India Business
Automation	
Engineering	

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About HFS

Defining future business operations

The HFS mission is to provide visionary insight into major innovations impacting business operations, including: automation, artificial intelligence, blockchain, Internet of things, digital business models, and smart analytics.

HFS defines and visualizes the future of business operations across key industries with our Digital OneOffice™ Framework.

HFS influences the strategies of enterprise customers to help them develop OneOffice backbones to be competitive and to partner with capable services providers, technology suppliers, and third-party advisors.

Read more about HFS and our initiatives on www.hfsresearch.com or follow @HFSResearch

Thank you for reading

Re-inventing finance as an integral part of the Digital OneOffice