WHITE PAPER

Finance Function for the Digital Enterprise –
Traversing the digital divide

Abstract

From Pokémon Go to driverless cars — the everyday world around us has already become digital. But there is a digital divide that exists between the large enterprises of yesteryear and the 'digital-native enterprises' which have bloomed in the last 10 years. This divide is even starker when you compare the business front office and the finance back office in these companies. A case in point is the ability of a large pharma conglomerate to leverage big data analytics to understand cold weather patterns to successfully manage flu medicine inventories and promotion campaigns, while being unable to do a timely close of their books of accounts.

Infosys®

Refreshing the finance operations landscape

The way of doing business across industries is changing dramatically worldwide. Products are evolving into services and the fastest growing enterprises are asset-light. Digital disruptors are overtaking traditional leaders in retail, automobile, hospitality, and the advertising sectors. The traditional companies that are still thriving today are undergoing a rapid metamorphosis in their business models and ways of working. It may be in the form of a 'digital twin' being created by a heavy engineering company or a popular e-tailing / m-tailing arm by a large retailer. However, back office enterprise functions have not been evolving at the same pace. They are still acting as an analog back and middle office to a digital business front.

While most of us are used to digitally upgrading ourselves by renewing our smartphones and tablets once every two years or so, we can't – in our roles as CFOs or controllers – refresh the entire finance operations landscape every two years. Hence, we will need to build and refresh digital finance operations brick by brick, which also requires strategic assessment of numerous 'standalone projects'. Let us have a look at some of the key areas.

For 'digitally aware' enterprises

I will here define the 'digitally aware company' as a one-billion-dollar enterprise with one or more enterprise resource planning (ERP) system/s implemented across the organization years ago. This company would have a lot of manual consolidation effort, challenges around data consistency, and process dispersion across operations. The CFO's team will still be spending a lot of time and effort on bookkeeping rather than business partnering. These enterprises need to look at making strides across the digital divide in six distinct areas.

1. **Finance operations**
- Manage the operations as a service. A global business services (GBS) model across enterprise services (finance and accounting, human resources, sourcing and procurement, and operations) is always a best practice
- Build a hybrid shared services strategy with an innovation-focused service provider. Such a partner will not only aid in shortening the time to execute this digital finance transformation but also sustain your competitiveness against digital native enterprises
- Most importantly, build a strategic IT partnership which will bring in cutting-edge artificial intelligence (AI) and cognitive computing technology that will redefine office automation and the business insights space

2. **Master data**
- Invest in building an integrated enterprise data services layer or a data lake, especially if you do not have a robust data warehouse architecture. The advancement of big data platforms have enabled us to circumvent the requirement around a perfect master data. If you have a great data warehouse, please continue to leverage it and ensure you build on that

- Move towards a virtual third-party-managed master data as the global standard. For example, vendor master data can be managed by the e-sourcing or e-invoicing provider. This is more relevant to material and vendor master data rather than product master data

3. **Enterprise resource planning strategy**
- Move to a non-customized ERP solution on-cloud when expanding to a new geography or setting up a new business line. NetSuite, SAP S/4HANA, etc., are some of the options available. The success of this model can prove the concept for a comprehensive ERP refresh, at the right time. You can also look at business process as a solution (BPaaS) here where both business processes along with underlying IT is provided as a package on demand

4. **Finance application strategy**
- Opt for plug-n-play versions of cloud solutions. For example, Concur for travel and expense (T&E) management or BlackLine for reconciliation. This will help in rapid cross-geo deployment
- Embrace blockchain-enabled services, for areas such as credit validations and treasury operations, if the business case is clear. These services are bound

to become prevalent in the next couple of years

5. **Employees**

Flex staffing and an Uber-style staffing model wherein a global pool of professionals will be leveraged on an ad hoc basis will increasingly be the main source of staffing for organizations. More and more employees will also want to become 'virtual' and the flexibility offered to them will be a key retention lever. Some of the key skill sets to look for in new employees is 'learnability' and the basic understanding to code, since in the not-too-distant future, they might just have to manage a team of robots.

6. **AI and cognitive services**

The large volume of data readily available from multiple sources today can be processed by AI systems that can ingest and analyze data in all its various forms. Cognitive automation platforms are self-learning programs that can continuously learn to gather information, analyze, plan, provide better insights, and automate more transactions. The implementation of such cognitive systems represents a huge leap forward in finance process automation and CFO insights.

For the 'digitally naive' enterprises

A 'digitally naive' enterprise can be defined as a one-billion-dollar enterprise with multiple mainframe systems and no real modern ERP implementation. This company would have issues around closing and reporting of financial statements accurately and on time. The finance function will always be in a firefighting frenzy, affecting its ability

to act as a platform for growth of the business.

What you need is akin to an emergency surgery, i.e., a finance transformation project involving:

- Virtual app harmonization
- F&A outsourcing and process simplification

- Deployment of an AI / cognitive computing platform
- Master data cleansing / hub creation

This can fast-forward the evolution of the digital naive enterprise in the medium term, after which the core foundations for a digital native enterprise will have to be set up.

The bottom line: Be future-ready

While many of us might consider all of this as hype, I would like to recall this quote from Bill Gates

> **We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.**

About the Author

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Prasanth has over 15 years of experience in business process reengineering and consulting. His expertise spans manufacturing, CPG, retail, and the telecom industries. With Infosys, he has played a variety of roles across transition, program management, and transformation services. In addition to his formal role, he also leads some key initiatives around digital and cognitive services. He is based out of London, UK.

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