How can you make your finance function as agile as your business strategy?

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In the face of unprecedented digital innovation, resource constraints and pressures for cost reduction, the demands on finance operations and technology to modernize have never been greater.

Upgrading the finance technology stack, moving to cloud, supporting new product launches, meeting regulatory requirements … the list goes on. Finance is in a perpetual state of transition, and leaders are struggling to effectively align talent with the barrage of demands. All the while chief financial officers (CFOs) and chief information officers are being asked to modernize finance, reduce cost, provide resiliency and strengthen controls with less budget. But how?

To deliver against these demands at speed, with quality and within budget, finance leaders should consider exploring innovative workforce solutions. These solutions can better align both the supply and demand of iterative technology execution by providing flexible access to talent pools and implementing an operating model that enables seamless scalability and dynamic prioritization as well as cost predictability based on outcomes rather than inputs.

How can the finance function enable growth?

Significant demands on finance

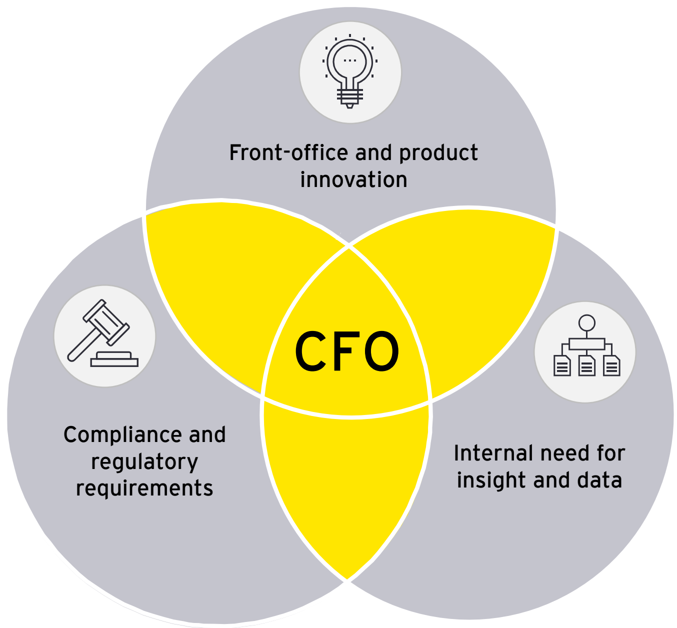
Organizations are evolving at record pace as digital transformation continues to drive prevailing changes across the front, middle and back offices. Shifts in consumer preferences are driving incessant product innovation to enable increasingly frictionless and convenient user experiences in the race to protect or create competitive advantages.

The finance function is expected to operate and evolve at speeds that match front-office innovation, placing substantial pressure on an organization's back-office operations. For example, as organizations shift to agile ways of working to launch unprecedented volumes of new products and features, they are forced to rely on legacy operating models with rigid development cycles and overburdened resources.

These same finance organizations are simultaneously integrating mergers or acquisitions, facing pressures to quickly evaluate finance and technology capabilities across the disparate organizations to identify and execute on opportunities for consolidation and synergy.

Further, the regulatory burden is not expected to decrease under the new Biden administration. Regulatory and compliance expectations continue to grow, with increasing demands on data certification, end-to-end transparency, and security as well as compressed response times to ad-hoc inquiry.

As a result, finance and IT teams can't address the system and process ecosystem fast enough, whether those remediation efforts involve back-office software configuration, new controls implementation or data supply chain (e.g., data warehouses, accounting engines, sub ledgers, reporting) transformation. Business teams are chasing new revenues, but finance has become a blocker and not an enabler.



> "Finance needs to be enabled to deliver on current business demands and provide long-term benefits, while keeping pace with change and "future-proofing" the organization, all at the same time.
>
> Steven Krueger – EY Americas FSO Integrated Finance Management GTM Leader

These factors alone justify the need to reimagine legacy delivery models. Additionally, the access to external talent and the acceleration of remote collaboration and productivity born out of the global pandemic further creates an opportunity to optimize resourcing models.

Based on the EY 2020 DNA of the CFO Survey of more than 800 CFOs, finance directors and other senior finance executives:

84% believe that CFOs and finance leaders must balance the need for short-term results with a focus on long term

86% believe that CFOs must balance the need to protect enterprise value today while also continuously enabling future growth

As a result, we have found that change is successfully enabled not only as part of a single transformation project or one-time overhaul but as entirely new way of doing business across the function.

Leveraging advances in the capabilities of technology ecosystems can increase value-add and agile services, such as:

- Integrated cloud-based architectures
- Convergent data models and robust master and meta data management
- Real-time processing capabilities
- Artificial intelligence
- Metric-driven performance management

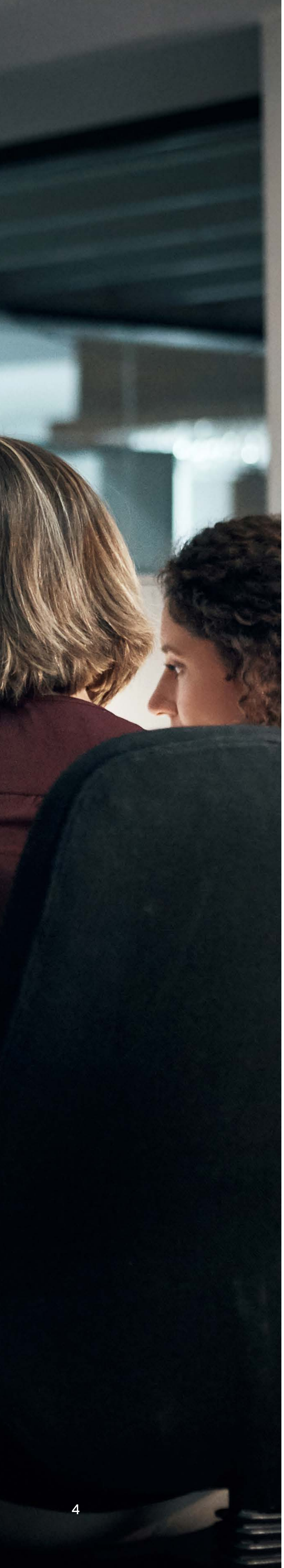
Need to match supply with demand at speed, at a predictable cost, and at efficient scale

While the pressures on finance may be unprecedented, they are not expected to slow in the foreseeable future. Rather, a new normal of constant, vacillating demands is forcing finance leaders to explore more sustainable operating models that offer agility, scalability and cost predictability.

Effectively managing and prioritizing these diverse sources of demand has proven untenable for many firms. As demand volumes and priorities vary significantly across business, finance and technology teams, organizations struggle to curate a sustainable framework that can dynamically identify and govern these cross-functional demands, reconcile between them, and maintain alignment to strategic objectives. For example, business teams generate demand by expanding into new products and geographies; finance teams operating in their fiduciary role as stewards of data integrity and transparency are identifying enterprise data quality issues through regulatory and internal financial performance reporting; and technology is increasingly pressured to upgrade, replace and/or re-platform systems to expand capabilities while reducing costs. These demands often fight for the same precious resources. How do you prioritize? How do you work effectively with front-office and other nonfinance constituencies?

On the supply side, sourcing and retaining capability-specific talent is complicated when trying to align with rapidly changing demand. Internal staff centric resourcing models come with greater risk for excess capacity following peak demand, limited fungibility of skill sets, static location and shift coverage, and the high costs and laborious processes associated with recruitment, turnover, training and retraining. On the other hand, while they do provide a more scalable and capability targeted supply, project-centric resourcing models that rely on consultants for specific bodies of work come with a premium of high, unpredictable costs (including the expensive request-for-proposal process), and brain drain occurs when consultants move on to other clients at the completion of projects.

Our clients have found that key success factors in effectively balancing this equation is an ability to streamline demand, align scalable supply of delivery capabilities to projected horizons for demand, and enable predictable costs for outcomes. As they consider new operating models, organizations are re-evaluating the balance between in-house staffing vs. third-party sourcing and capitalizing on the acceleration of remote productivity to further optimize location strategy.



Key considerations

We have found the key to successfully support shifting demands is to design a modernized delivery capability in a way that builds agility into the structure of the finance function with hiring not overly influenced by brief increases and decreases in demand for skills. To deliver effectively against today's demands, finance leaders should consider employing delivery models that can achieve the following:

- Optimize demand management that includes the intake process, prioritization and quality control on requirement definition
- Shift the cost-management focus to outcomes as opposed to hours of effort
- Enable demand and supply to have differing resource models
- Actively manage the alignment of risk with accountability and incentives

In addition, acting as a key disruptor, the global pandemic is prompting organizations to rationalize their physical real-estate footprint and reimagine their workforce strategy. For many organizations, COVID-19 is demonstrating the effectiveness of virtual teaming and, in many cases, accelerating a more permanent adoption of a remote workforce. The shifting paradigm of distributed vs. centralized work is prompting firms to adopt dynamic and predictive occupancy planning to assess how and when their teams need to collaborate in person. Finance and technology teams should embrace the unique opportunity to challenge previous assumptions on global, remote resource structures to create more efficient delivery teams and drive down costs.

In summary, while finance leaders are clear on where they want to go, the EY DNA of the CFO survey shows they face significant challenges in getting there. Often, this relates to the "perception of finance," where the traditional back-office behaviors, processes and mindsets of finance are slowing the modernization of the function. To get there, commoditizing the supply of back-office "builders" allows finance to resource better and, as a result, spend its dollars where it will receive the most significant value – on the demand side of the delivery life cycle.

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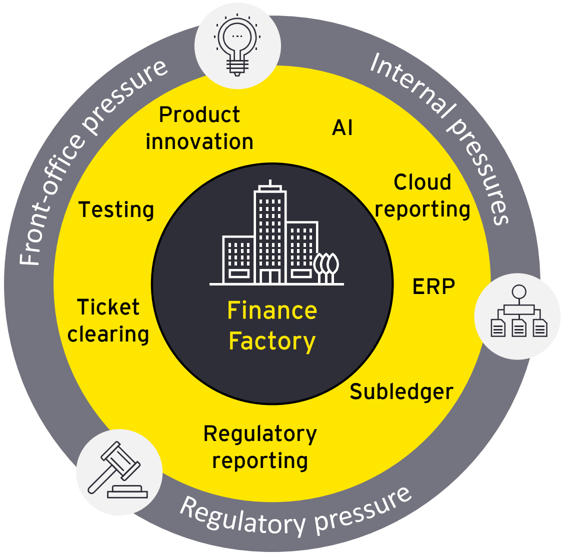
While CFOs are making increasing use of partnerships with external parties across a range of finance responsibilities, a potentially significant opportunity remains untapped. In fact, tax aside, fewer than one-third of finance functions are working with external partners on a range of finance responsibilities. As they look to drive progress in this area, finance leaders should not take a narrow approach focused on cost reduction. The partner strategy is more about quality – gaining access to intellectual property and advanced technologies – and allowing the organization's finance team to focus its time on key value-creation and business-partnering activities.

Quote from "How can the CFO evolve today to reframe finance for tomorrow"

How can we help?

To overcome the challenge faced by both technology and finance to "do more with less," keep up with the hyper-pace of market change and drive long-term value within their organizations, CFOs and finance leaders should embrace the need for innovative tactics in approaching finance modernization.

The EY Finance Factory model is an innovative approach for modernization, leveraging a proprietary delivery model to streamline key processes across the requirements intake, development, testing and release life cycle for data, technology and other back- and middle-office demand functions. While the operating model integrates the functions of demand intake with development execution, it also separates demand and supply so that each function can scale independently as necessary. The demand intake and design "factory" creates a tollgate to better understand, plan for and deploy development capacity, while supply and execution provides skilled and flexible capacity to develop, test and release the necessary capabilities. This model can be applied to various development delivery capabilities and technologies, such as data warehouses, subledgers, reporting capabilities and reconciliations.



> A more fluid operating model that extends beyond the enterprise's four walls will likely be a key factor in enabling finance to play a central role in the connected markets of the future.

Quote from "How can the CFO evolve today to reframe finance for tomorrow"

Standardization of intake and prioritization enables predictable and efficient backlog grooming and delivery with the ability to increase capacity as demand surges

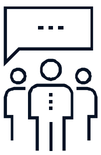
1 Intake and prioritization

Request sources

A request to automate existing product deposits comes into the Finance Factory

Intake and prioritization

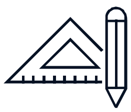
The Finance Factory intake team classifies the request, prioritizes downstream consumers accordingly and sends to the design team



2 Design

Intake and Prioritization

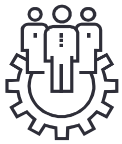
The design team builds requirements and sends to development team



3 Development

Development team

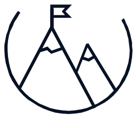
The development team implements the requirements (e.g., data mapping, reconciliations, configuration)



4 Go-live

Testing and release management team

The development and/or testing teams conduct technical and functional testing and support a request through production release



The Finance Factory model helps the CFO drive responsiveness to business demands and solve for increasing pressures by delivering a managed, global footprint of technical know-how across finance and technology.

Desired outcomes	More efficient deployment of capital	Responsive and flexible to address fluctuating demand	Predictable cost per output (design, development and testing)
Finance Factory model	Consistent delivery through standardization and iterative processes refocusing finance spend towards analysis and insight	Pool of experienced resources that is available on-demand with the right competencies and skill sets to address your development needs, eliminating the learning curve that accompanies on boarding and off boarding resources through demand fluctuations	Predictable cost through output -based pricing, which when combined with a global location strategy reduces the cost of development
Realized benefits	50% faster in delivery timelines	On-demand, scalable surge capacity	40% cost savings per developement output

In deploying this model, we combine our global footprint and industry-leading finance, accounting, regulatory, data and technology capabilities to drive a more efficient use of finance's business-as-usual operating expense and its investment funding. The Finance Factory model enables organizations to minimize total cost of ownership and increase agility while driving and maintaining better quality and more accurate predictability.

Demands on finance are not slowing. Those who deploy efficient, agile and scalable finance and technology delivery models will enable their organizations to deliver at speed, withstand disruption and move finance squarely into its expected role as a value-creator for the organization.

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