

The transformation of the traditional finance function

Finance is arguably the lifeblood of an organisation and stakeholders have high expectations of the Function's performance. An effective Finance function, which includes all aspects of Finance, Tax, Treasury and typically, Risk Management in some cases etc., makes a positive contribution to the achievement of the organisation's strategic objectives and to its value creation goals. Consequently, to be successful, Finance must develop the capabilities that will allow it to fulfil its responsibilities to the organisation, meet stakeholder expectations and service its key business partnerships in this very complex and dynamic business world.

In these modern times, the needs of businesses are growing. The pace of innovation in businesses is accelerating and so must the finance function. In view of this fluid business environment that constantly demand for change, Chief Finance Officers (CFOs) can therefore plan either for change or to retire. The bedrock of an effective transformed finance function is redefining its objective. The contemporary Finance function is therefore required to fulfil four key roles within the organisation.

Steward – this is the traditional responsibility of providing control over the organisation's assets, ensuring it meets its compliance obligations and direct the management of risk relating to owning those assets

Operator – operations is the mesh that holds together all finance functions. It is central to everything. It involves delivering efficient Finance processes to support the production of financial information and driving the cost effectiveness agenda across the organisation. It is quite amazing that some large organizations do not have a well-documented finance or accounting processes let alone making such documentation technology driven.

Finance function as an Operator is now the target of new technologies such as blockchain, robotics and other cloud solutions. Cloud based apps and mobile devices are used to perform transactions, while highly standardized, simplified, workflow-enabled business processes handle the rest. It is also an area worth experimenting new mode of delivery such as outsourcing, which have proven to be a great cost leveller. Transactional finance are now moving to centralized based shared services "factories" which may be managed by a third party.

Finance function must now look forward to a norm of

continuous close process, based on visual close management tools, integrated sub-ledgers, journal workflows, reconciliation tools and automated consolidation, FX, allocation and intercompany transfers. Finance teams should be able to simulate pre-close results to support continuous MD&A development, deploy automated controls, intelligent process monitoring that keep watch over performance, and minimize rework.

Strategist – if the "operator" holds everything together the finance function as a "strategist" ultimately embodies the relevance of the function. It involves analysing organisational performance and interpreting financial information to support the planning and execution of strategic initiatives across the organisation. This is where the CFO should be play.

From experience, we constantly see the CFO role mingled and swallowed up with operational matters leaving strategy to the executives alone. There is the notion that the CFO role in strategy from a finance function perspective bother only on supplying some traditional textbook financial ratios that do not add real business value or completely lack any predictive capabilities. The world has gone beyond this. The concept of "big data" is now on board. Finance function as "strategist" must constantly see how to harness data across functions and departments, which are to be transformed to provide real value. Investments in data governance, management and analytics prove their value. Finance must routinely deliver data-driven insights that improve business decision-making.

We look forward to seeing Nigerian entities embrace integrated planning models and sophisticated analytics tools that enable rapid scenario planning, cost modelling, risk simulation. These will make Finance quickly model the impact of changes in key business inputs.

Catalyst – The finance function as a catalyst involves stimulating the wider organisation to execute the changes necessary to support the effective performance of the Steward, Operator and Strategist roles. In many organizations today in Nigeria, the finance function has been relegated to mere book keeping function and periodic reporting responsibilities. The catalyst role, which ought to be played by the finance function, is blindly relinquished to other functions that are less designed to play such role.

Human Capital in Finance
There are six key areas considered as high-level drivers

in which Finance must drive the creation of value. They include Close, consolidate and report; Technology systems and information; Policy and process; Strategy and execution; Risk, control & capital and lastly Regulation & Governance.

The CFO has the difficult task of bringing all of the different disciplines, people and processes together in a seamless Finance function that cannot afford to leave any capability gaps. We believe at Deloitte that the key to developing a successful Finance function lies in fully addressing the talent agenda for the Finance community. Very few organisations have successfully achieved such a goal and this fact inhibits the achievement of real excellence by the Finance function as a whole. Sustained success in Finance requires the retention and continual growth of the best talent who can then make the best use of an organisation's Best Practice processes and unlock the real business benefits of technology, something that only few organisations in Nigeria have achieved.

Organizations must be ready to invest in training and developing their finance specialists, ensuring they have the training, technical development and job rotations needed to learn the business inside and out. Specialist performance must be measured by the value they help the business create or the risks they help contain or avoid.

Companies must realise in this knowledge driven world, Finance's talent needs have changed. Knowing the business matters as much as knowing accounting rules – if not more. New roles become increasingly important, as Finance brings in business process consultants, business analysts and specialized technical experts especially with the advent of IFRS and complex financial instruments accounting.

Technology in Finance
Even if we know that integrated ERP systems will still be the backbone of companies' financial systems, mobile devices and cloud computing is fast transforming everything else. Cloud-based apps provide companies with highly scalable, rapidly deployable and continually updated services. For example, there are solutions that allow financial statement compilers to work as a group from any part of the globe on different sections of a single annual financial statement document that is warehouse in the cloud.

With the much acclaimed robotics process automation, finance processes that are rules driven and repetitive

in nature such as posting transactions; performed out of hours such as month end close; involve reconciliations or have high error rate can easily be automated.

The approach to automation should be tailored for finance processes where the most significant savings are typically driven by identifying common pervasive process components such as data extraction, data validation and performing standard calculations and adjustment that cut across processes.

At Deloitte, we believe Nigerian companies should move into an era where finance function deploy ubiquitous mobile devices, which seamlessly integrate with finance systems through simplified, single-purpose, self-serve apps for common transactions. Automated workflows streamline approvals and other processes. Highly graphic visualization tools become a common way of interacting with finance data, rendering the humble spreadsheet obsolete. Managers and decision-makers receive alerts on project statuses and budget variances automatically.

Shared services/Outsourcing
Today's competitive business environment demands that companies operate at maximum efficiency, effectiveness and quality yet pressures from both inside and outside are against them. Externally, mergers, acquisitions, and cost cutting requirements strain many organisations' ability to cope. Internally, lack of metrics, redundant processes, and mismatched or outdated technologies raise additional barriers to achieving performance goals. The answer to the challenges can potentially be Shared Services managed by third parties or outsourcing.

Finance and accounting outsourcing ensures an entity can keep pace with advanced technology solutions at lesser costs. Service providers may be able to provide the improved technology for less than the cost of the firm's old technology. The costs could be even lesser than the upgrade costs that the business would have to invest in. Furthermore, the business can take advantage of the fact that the service provider is likely to have a much larger and more specialized staff. The provider can ensure that there is a small group of expert outsourced accountants working on its projects at crucial times or for complex rules and regulations. This would probably never be cost effective if done in-house

What must the CFO do?

1. Start with a vision. Where do you want Finance to be in the

next 3-5 years? What do you want Finance to deliver? How do you want Finance to work with the rest of the business? What are the gaps between the current and future state?

2. Break it down. Take that vision and consider what it means in terms of operational finance, business finance, strategic finance, organization and people, information and systems, and policies and processes. Here too, look at the current state and consider what needs to happen to reach the future state.
3. Lastly, create a blueprint with support of finance business process or finance transformation experts. Now, identify the investments you will need to make to bring about the future state. Think about the policies and processes that need to change. The organizational structures that need to be created or taken apart. Consider your talent mix to ensure you have the right people – and the development programs to help them fulfil Finance's new role.

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