

Build agility into your financial operations

A competency-based maturity model to transform your people, processes, and technology.



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Estimated reading time
10-15 minutes

The pace of business is accelerating

Nearly every organization on the planet has a finance team—ensuring cash flow, paying employees, and delivering financial statements. Finance teams have always been business stewards, reporting business results for the organization monthly, quarterly, and annually. However, the scale and pace of decision-making are vastly different today. Where the previous generation of chief financial officers (CFO) was called on to help make million-dollar decisions on a monthly or quarterly basis, today's CFOs make billion-dollar decisions weekly—and, in some cases, daily.

Traditionally, CFOs and other finance leaders had a more narrowly defined role: they analyzed a company's financial risk, managed financial planning, and ensured records were clean and compliant, according to Aberdeen.¹ These are still core components of any company's financial operation, but top-ranking professionals in the field have evolved far beyond accounting and finance operations. The modern financial professional is expected to be a visionary who influences the company's overall strategy.



The modern financial professional is expected to be a visionary who influences the company's overall strategy.

¹ Aberdeen

Agility is key to leading the way through disruption

At this point, acceleration has been accelerated, and the pace of business is reaching unprecedented speeds. Running right along this speed is also constant change.

Finance leaders don't have to look too far to recall major upheavals that transformed their entire way of working. Organizations face labor shortages, rising wage growth, and multi-generational workforce challenges, along with a mindset shift where people are fundamentally thinking differently about how, when, and where they work.

In addition to changing times, the way we do business has fundamentally changed. New business models are disrupting the way companies sell products and services, blurring industry lines and transforming customer experiences. These models are not just about how a company realizes value but also require a significant shift in how they operate and in organizational structures.

This market volatility, coupled with new norms, is making business usual, business UNusual. So how can finance teams keep up?

Agile companies achieve

30%
higher profits²

37%
faster revenue growth²

20 to 30%
cost savings³

5 to 10x
increase in driving change⁴

² Accenture

³ Economic Intelligence Unit

⁴ McKinsey

The future is dynamic. Are you?

With global volatility and record high inflation, business agility has never been more important. To thrive amid disruption, leaders turn to finance teams to get real-time insight into business performance and recommendations on future initiatives.

Agile finance teams have the ability to adapt faster, work smarter and perform better.

Finance teams need to master agility to accelerate growth through continuous business model innovation. For CFOs, being hyper-agile means they're able to lead the restructuring of the business to meet new strategic objectives, such as mergers and acquisitions (M&A), franchising, international expansion, capital structure and liquidity planning, risk modeling, long-range planning, and digital transformation.

CFO respondents to a 2019 Korn Ferry survey spent nearly a third of their time driving strategy (32%). Data is a key factor in informing insight and action.



Technology without competency falls short

In today's digital world, there's a tendency to focus on the technology that can move business forward. However, technology only gets you so far without the right people who can use their competencies to put it into action.

In fact, Gartner found that 66 percent⁵ of finance leaders believe the digital competency gap within their finance team is widening. Not only is it crucial for finance teams to be digitally skilled, but they also need to evolve the way they function within the broader organization and contribute to the overall company strategy.

Although many finance leaders recognize that their teams lack the competencies needed to leverage new digital technologies, few are clear on how to close this competency gap.

⁵ Gartner



The role technology plays in building an agile finance team

In the past, the standard course of action was to develop technology-based responses to events, which limited an organization's ability to respond and flex quickly as those events changed outcomes.

Today, increasingly available digital solutions make it possible for finance teams to automate large parts of their reporting processes, reduce time spent on transactional processes, and provide more mature analytical capabilities. Top-performing finance functions are using this opportunity to provide the business with self-service reporting and analytics capabilities, which simultaneously unburdens finance professionals from lower-value tasks and expands the function's ability to support informed decision-making.

As finance teams build a hyper-connected enterprise, they can become change catalysts that provide the insights needed to facilitate decisions across the organization. By planning for and building the right competencies to take full advantage of the latest technology, you can develop a truly dynamic finance team.

Agile finance teams have the competencies they need to utilize technology, which allows them to:

Adapt faster

Extensibility and composability allow rapid innovation without the need for expensive customizations.

Work smarter

Collaborative apps connect people and business data in frictionless workflows that adhere to global governance standards.

Perform better

Optimization insights drive intelligent automation, cost reduction, and identify growth opportunities.

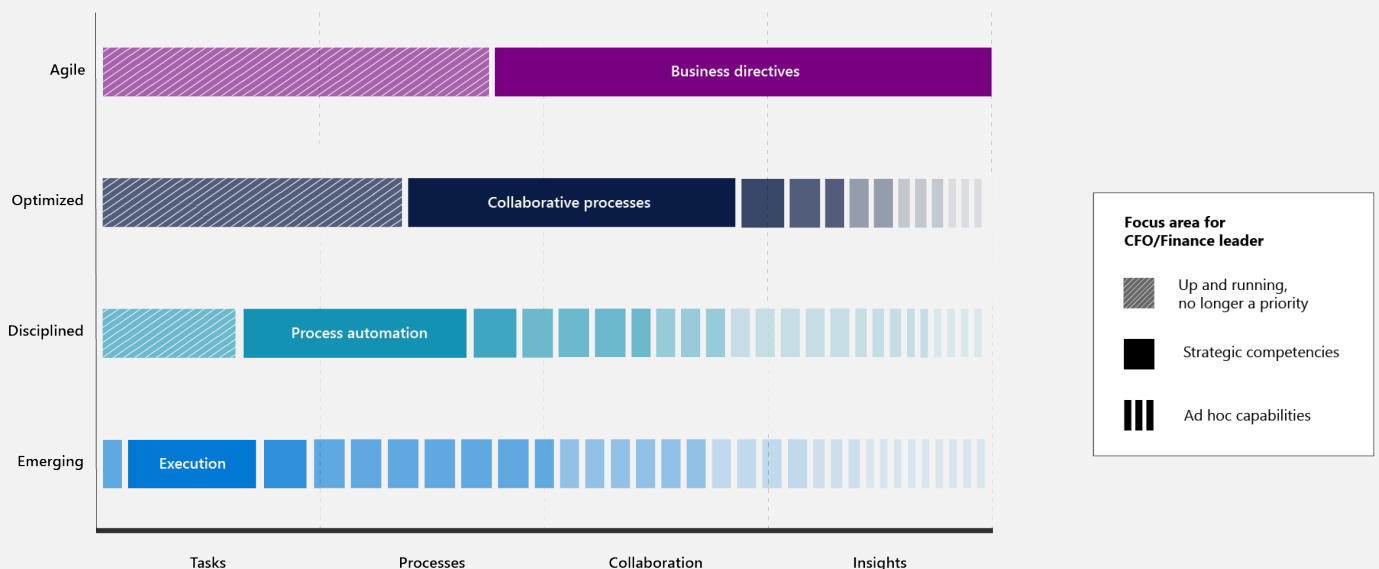
Build the finance team of the future, today

The competency-based maturity model applies the expansion of skills and competencies to specific functions within a finance team.

Typically, finance leaders begin the selection process for financial management solutions with a list of capabilities and process improvements needed to drive productivity and efficiency. Guidance

on vendor comparisons, technology definitions, and process benchmarking is abundant. What’s missing in a technology-led or request for proposal (RFP) purchase process is the human element. Technology enables certain capabilities and streamlines processes; however, real change occurs when it empowers finance teams to develop specific competencies that drive better business outcomes.

Where you are in the journey to becoming an agile finance team?



Having a strategic, high-performing finance team can set a business apart and ensure the success of an organization in the long run. This maturity model focuses on the competencies needed to build an agile finance organization while applying the expansion of skills to specific functions within a finance team.

While your finance team can be high performing at any stage, becoming agile means embodying the adaptability and strategic thinking required to make finance a true strategic partner across the business. As an agile finance team, you are well-positioned to help the organization weather changes and embrace new opportunities with less disruption.

Following are the broad functions of a finance team at each stage and the activities that fall within them. The functions include finance and accounting, global business operations and governance, business intelligence and insights, and business strategy. This paper looks at the attributes of each stage and then outlines the main outcomes delivered by financial professionals in the role.

The competency-based maturity model is structured around four main stages of growth for finance teams, including:



Emerging

Fiduciary experts with a focus on accounting, closing the books, and financial statements.



Disciplined

Economic governors with a focus on cost-reduction and financial process excellence.



Optimized

Catalysts for driving digital transformation with a focus on business performance and growth acceleration.



Agile

Futurists with a focus on aligning strategic objectives with the financial goals of the business.



Stage 1

Emerging

At the emerging stage, the finance team functions as the fiduciary expert focused on being a good steward of cash flow and producing financial statements. Finance team members tend to act as generalists, filling roles as needed while supporting business owners in completing accounting tasks such as sending invoices, paying bills, and maintaining vendor records.

Technology at this stage tends to be point solutions adopted on a first-come, first-served basis by the person handling the activity without regard to larger organizational initiatives. The need to focus on task management and completion means that policies and procedures are often subject to individual interpretation.



For a CFO coming into an organization operating at this stage, the goal is to implement a playbook and establish the right people in the right roles for key finance and accounting activities like accounts receivables and collections, accounts payable, payroll, and financial close and reporting.

Regardless of the technology being employed by the team, leaders need to proactively develop and seek out employees with competencies in standardizing processes for key functional activities. They also need to plan how to structure the teams as the finance department continues to grow and accelerate its digital competencies.

At this stage, CFOs and their finance teams establish a solid foundation for processes and team structure that enable them to achieve the competencies for the next maturity level.

To advance, emerging teams must work on standardizing processes and restructuring teams to support digital.

Finance and accounting

Emerging teams are highly skilled in data entry, as billing and vendor invoices are manually entered into accounting systems. Payments are also managed manually. A collections team is aligned to a set of accounts and responsible for deciding who and how to contact customers on the aging report. The team has competency in customer service and cash management.

Finance teams prepare closing statements monthly, quarterly, and annually. The close process is time-consuming, with many data pulls and aggregation exercises across many geographies, divisions, business units, and departments.

At this stage, finance is typically responsible for managing a strictly administrative function: Making sure goods and services are ordered and invoices are paid since there is often no team or full-time employees (FTEs) dedicated to sourcing goods and services.

Global business operations and governance

Emerging governance, risk, and compliance (GRC) is mainly focused on risk mitigation. Teams rely on manual tracking to adhere to compliance legislation, regulations, and taxation policies.



Business intelligence and insights

This team provides business insights by request to support decision-making. They create monthly reports containing retrospective financial information without any steering information or KPIs. The finance team does not provide planning and analysis outside of financial statements. Financial planning is done on an annual basis with monthly updates and tracking. Competency in Microsoft Excel is critical for people managing these tasks.

Business strategy

At the emerging stage, business strategy support from the finance team is ad-hoc and completed as special projects. Their expertise in the finance domain is used to augment strategy discussions when needed.





Stage 2

Disciplined

At the disciplined stage, the finance team functions as economic governors who focus on cost-reduction and financial process excellence. By clearly defining financial processes and policies, they reduce the cost of operations. Partnership with IT teams is critical for success in this stage, and finance professionals need competencies in digital finance processes and associated technology. Proficiency in Enterprise Resource Planning (ERP), Financial Management Solutions (FMS), Procurement, and Payroll systems is key to success.

These technology decisions focus on ways to increase efficiency and standardize policies and processes and may include robotic process automation (RPA). Adding an IT advisor to the finance team and a finance domain expert to the IT team will ensure the right IT investments.



In addition, finance teams need competencies in such areas as accounts receivable automation and translating the profit and loss (P&L) reports to broader business activities and outcomes. They need guidance on driving communications regularly to increase the impact and influence finance has over purchasing decisions across the organization.

To advance to the next stage, disciplined teams will start automating processes and creating a center of excellence for finance.

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Finance and accounting

This team has competencies in accounts receivable (AR) automation and handles digital invoices and payments (ACH and credit cards), with the ability to deliver via multiple channels. Collections are centralized as a shared service and executed using defined processes and strategies that focus on lowering Days Sales Outstanding (DSO). Automated emails and customer portals are used to manage a majority of accounts, with strategic accounts prioritized by personalized outreach.

Planning and budgeting is a top-down and bottom-up process. At this stage, teams have the ability to create templates in order to group accounts, translate the P&L to the business activities and outcomes, and strategically plan account mapping. Procurement primarily focuses on contract management and negotiations; they also support sourcing events for key business purchases and deliver cost savings.

Global business operations and governance

At this stage, finance teams design and implement risk and compliance management frameworks to safeguard the proper functioning of information and control systems. Manual and partially automated processes and information workflows exist across a multitude of disparate applications to monitor internal safety hazards, employee errors, and environmental changes in factories and workplaces. Data and systems are separate, providing little visibility and warning of issues. The team is competent in identifying opportunities and threats.

Business intelligence and insights

In this function, the team drives communication on a regular basis for more impact and influence. They also have a deep understanding of cash flow management, which is integrated with corporate online banking to provide greater control of cash flow and accessibility. This team seeks to maximize liquidity and minimize the cost of funds. Other processes used at this stage include:

- Collecting and analyzing data with queries
- Creating data visualizations such as charts
- Producing reports to be used by decision-makers

Business strategy

At this stage, the finance team builds processes for modeling comprehensive if/then scenarios, inclusive of data and inputs from multiple departments of the business. They must model business performance using current business systems; however, these are typical for historical points in time. Ultimately, they deliver insights that are relevant to the business and that the business can act upon in a timely manner.





Stage 3

Optimized

At the optimized stage, finance teams serve as catalysts for accelerating digital transformation with a focus on business performance and growth acceleration. Financial processes are highly automated, allowing teams to deliver continuous business model innovation. This work extends beyond monetization models and business planning to increase the way value is captured; it also focuses on operational innovation to influence the way value is delivered and organizational restructuring to align people to impact.

The goal is to maximize financial visibility and profitability across the organization with artificial intelligence (AI) and ML models to track business metrics in real-time, with secure access across stakeholders to provide big-picture insights.

Optimized CFOs need hyper-agility to lead the restructuring of the business to meet new strategic objectives and digital transformation.

Technology at this stage typically involves cloud ERP, financial planning and analysis (FP&A), RPA with a low-code platform, and exception identification. These tools support the office of finance's budgeting, planning, and forecasting efforts. Many also supplement the office's budgeting and planning process to increase its ability to manage performance by linking corporate strategy and execution.

To advance to the next stage, optimized teams need to learn to support optimization beyond finance to empower cross-functional teams with the insights necessary to reduce costs and accelerate initiatives.



Finance and accounting

At this stage, the finance team has competencies in RPA and process mining. They can detect anomalies and insights in process transactions. For example, AI can uncover barely noticeable traces of similar cases of transaction fraud that would often be overlooked by the human eye, then raise red flags to accountants for further analysis.

The team is able to manage exceptions, while standardized processes are managed through customer portals and automation. They have an understanding of which nonstandard exceptions in transaction processing can be automated with digital technologies beyond RPA. There is some integration of planning with the most sensitive areas of the business, such as sales, services, and supply chain. This team also standardizes templates across subsidiaries and business groups and uses flexible templates that allow for quick set-up.

Global business operations and governance

Finance professionals focus on specific spend categories (category management), which enable the sourcing organization to be a true partner to the business by delivering value beyond savings. They can now focus on value, total cost of ownership, spec rationalization, should-cost modeling, and fact-based decision-making. This drives incremental value and allows procurement to secure a seat at the executive table, where they demonstrate strong competencies in influencing and negotiation skills.

However, the team uses strong analytical skills to manually aggregate a compilation of data for compliance reporting and tax management to support regulatory requirements. Multitudes of system reports must be aggregated, and then human intelligence factors are applied to meet the reporting requirements.

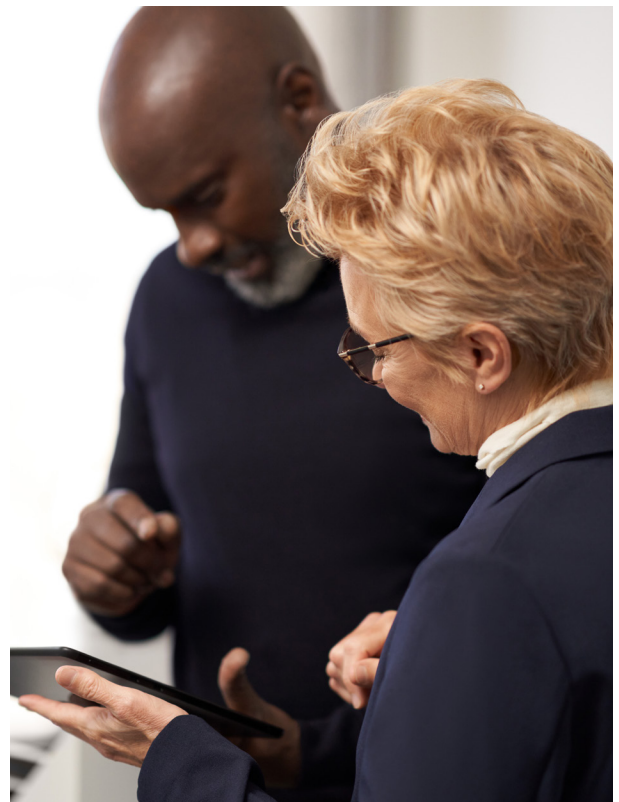
Business intelligence and insights

At this stage, finance teams focus on identifying ways to drive business outcomes and opportunities rather than reporting them. They propose and implement measures for increasing the organization's efficacy and efficiency (such as decreasing working capital, plans to generate revenue through new business models, assessing fixed assets and capital injections, etc.). The team uses digital intelligence to track business metrics in real-time, with secure access across stakeholders to provide big-picture insights.

The goal is to automate finance team processes so they can work cross-functionally to help move the business forward. The team has a competency in RPA and process mining. They can detect anomalies and insights in process transactions that previously took more employee resources to identify. For example, AI can uncover barely noticeable traces of similar cases of transaction fraud that would often be overlooked by the human eye, then raise red flags to accountants for further analysis.

Business strategy

Strategy work includes processes for modeling comprehensive if/then scenarios, inclusive of data/inputs from multiple departments of the business, and thus delivering insights that are relevant to the business and on which the business can act. However, analytical models of business performance use current business systems that are simply historical points in time. Post-merger integration is time-consuming and requires special teams to focus on delivering deal synergy. Strong strategy planning competencies and business modeling skills are required.





Stage 4

Agile

At the agile stage, finance teams require a new set of competencies, as processes are fully autonomous. In addition to executing automation processes like optimized teams, they now serve as futurists focusing on aligning strategic objectives with the business's financial goals to forecast its roadmap and predict upcoming industry trends. Their objective is to function as a core part of the overall business strategy, making investment recommendations and focusing on both short- and long-term planning. They collaborate across the business and push for strategic business model innovation.

CFOs at this stage have moved into the role of business strategists, operational leaders, and organizational structuring experts. As they accept a more strategic role inside their organizations, they are considered the digitalization-first driver as they push to maximize financial visibility and profitability. They seek a higher level of data integrity and a “single source of truth” for all data that drives their business insights. These CFOs support hyper-acceleration by enabling the organization to make better decisions with budgeting, forecasting, financial reporting, and modeling. In doing so, they fund and approve digital transformation investments and thus influence decisions beyond financial systems.



Finance is frequently the center of business application platforms, with financial analytics being critical to the business, including customer analysis, pricing and contract analysis, profitability analysis, spend management, and trend analysis.

Agile finance teams use an adaptive technology strategy to enable foundational administrative and operational capabilities so that the enterprise can keep pace with change. They ensure resilience and agility by using modular applications that can be recomposed on demand while remaining connected to provide comprehensive, actionable intelligence that enables fast, informed, and contextualized decision-making.

Technology used at this stage includes:

- Cloud business applications.
- Extended planning and analysis (xP&A) or corporate performance management
- Low-code platform
- ML for anomalies and exception identification
- Next-generation security

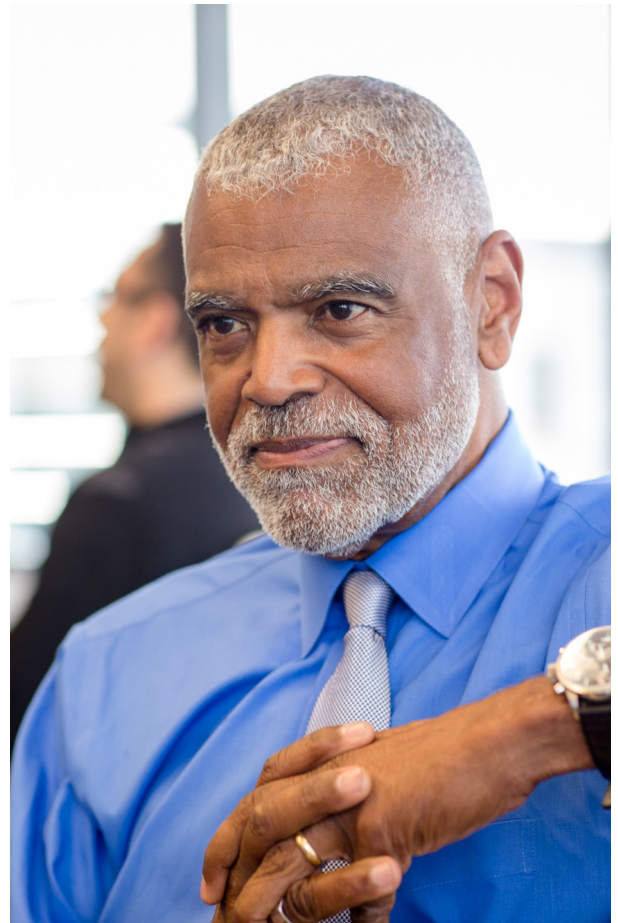
Finance and accounting

Agile finance teams have competencies in building customer portals, knowledge-based chatbots, AI/ML, and financial operational excellence. This fully automated team supports optimization recommendations inside and outside of the finance organization. People within the team are highly capable of adjusting automated processes based on system, customer, and strategic partner recommendations. Their customer portals provide easy-to-use experiences with chatbots, and help is available online. They also can demonstrate secure real-time cash visibility and make cash flow improvement recommendations.

Financial consolidations and close are fully automated. Data sets, machine learning, and deep learning deployed across a large set of business processes have developed the parameters for the continuous close process. The team has fully automated processes, and it supports continuous closes.

Team members also understand business partners' decision needs and connect them with advanced visualization capabilities of digital technologies that increase decision-making quality and speed.

Finally, they meet with heads of functions to continuously update budgets and forecasts, as well as to understand their needs and how to address them. They also anticipate and understand issues based on insights.



Global business operations and governance

At this stage, the sourcing and procurement organization includes category managers who serve as trusted advisors to the business, understand stakeholder pain points and category best practices, and actively collaborate with vendors. Professionals at this stage define and manage sophisticated planning processes that are required to support business innovation and risk mitigation. They identify possible supply chain constraints and innovation opportunities that are future-focused and support long-term goals.

This team uses automated compliance and governance flags. Machine learning is now tied to reporting workflows, and influential data sets are built only once. With each required filing, information is captured and robotically reported. Machine learning is tied to tax reporting workflows, which are then influenced by the tax reporting data sets. The team is highly competent in proactively formulating and implementing solutions to mitigate risks. A continuous audit enables the organization to trust and automatically verify all information captured within a system. An internal audit is done continuously with exceptions generated by technology for further

investigation by humans. The team builds and maintains solid working relationships with key stakeholders, including investors, parties in society, and supervisory bodies.

This team continuously coordinates between business and finance, formulating and implementing strategies with the aid of tools such as scenario analyses, business experiments, business case development, competition analysis, and portfolio management. They have set up an effective management control system to support the achievement of organizational objectives via suitable KPIs, budgets, forecasts and scenario analyses, and a thorough analysis of opportunities and threats, all the while identifying relevant steering variables to influence behavior. Finally, the team maintains constant contact with the business domain and bears responsibility for the 'economic soundness' of the business operation, leading to 'accepted decision-making.'

Business intelligence and insights

At this stage, critical problem-solving competencies are needed to identify cause-and-effect implications on top-and-bottom-line results. Finance professionals explain finance models and insights generated by digital technology (e.g., algorithms) in business-friendly terms so other leaders can readily understand the implications. The team is highly competent in taking initiative, demonstrating calculated risk, engaging in dialogue, and accomplishing all this based on the strengths of the financial discipline.

Team members have real-time visibility into AR and AP and working capital in the context of letters of credit, credit revolvers, and asset securitization against cash flow requirements. They also have optimized liquidity with lower overall borrowing costs. Team members are comfortable with business process integration linking post-merger accretion assumptions mapped to business process change management, with both operational and business results KPIs automatically generated as part of the management system reporting process.



Business strategy

At this stage, business strategy is embedded into the DNA of the finance organization. Team members actively participate in building the business strategy using analytical, risk management, collaboration, change management, and communication competencies. Team focus spans across increasing operational effectiveness, optimizing cash flow, and reinvesting to accelerate innovation and growth.

Increasing operational effectiveness is executed using key metrics and accountability measures. Priorities are embedded into team structures, and cost structure is aligned with revenue.

The team has a tight partnership with IT and actively works to optimize technology costs, including moving to the cloud and consolidating vendors. AI is used to remove busy work and keep people focused on the highest-value tasks.

The finance team embraces a culture of innovation, and people are encouraged to overcome constraints and solve challenges creatively. Business leaders feel comfortable strategizing with finance to accelerate digital transformation, optimize costs, and fuel growth.



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