

THE PRACTICALITIES OF MODERN FINANCE

A LOOK AT WHAT THIS LOOKS LIKE IN PRACTICE

Modern Finance is defined as adopting best practices to implement automation and enhance control and visibility over an organisation's mission-critical accounting and finance processes. The focus is always on the technology to deliver:

1. Automation so that accountants can shift their time spent from data entry, admin and repetitive processes to identification and analysis of variances and value added activities.
2. Modelling and forecasting to enable the Finance team to do more analysis on strategic elements.
3. Tools to collaborate across the business.

The reality is that Modern Finance often does not deliver on the promise of more significant insights, control and transparency. There needs to be a focus on the people and processes for extracting, interpreting and utilizing information supplied through the technology, not simply expecting the technology to deliver the solution.

A TEXTBOOK-PERFECT CASE STUDY

Auswide, with a large customer base in Central and South-East Queensland, is a national bank, operating for over 50 years. The bank actively seeks to remain agile and effective in delivering 'anytime anywhere' banking services with an investment quality credit rating and recent awards that demonstrate new quality products.

For Auswide, adopting Modern Finance principles was identified as aligning with their objective to serve their customers as best as possible. The finance modernisation project was aimed at implementing a best of breed SunSystems financial solutions and Infor d/EPM for reporting, modelling and analysis. As Auswide is now working through a cloud governance program for regulatory approval this also forms the basis of moving from an on-premises legacy finance system to the cloud.

Auswide had articulated objectives and use cases that they wanted to be addressed, including:

Progressively removing critical person dependency and risks associated with spreadsheet use by moving to an Infor d/EPM reporting system

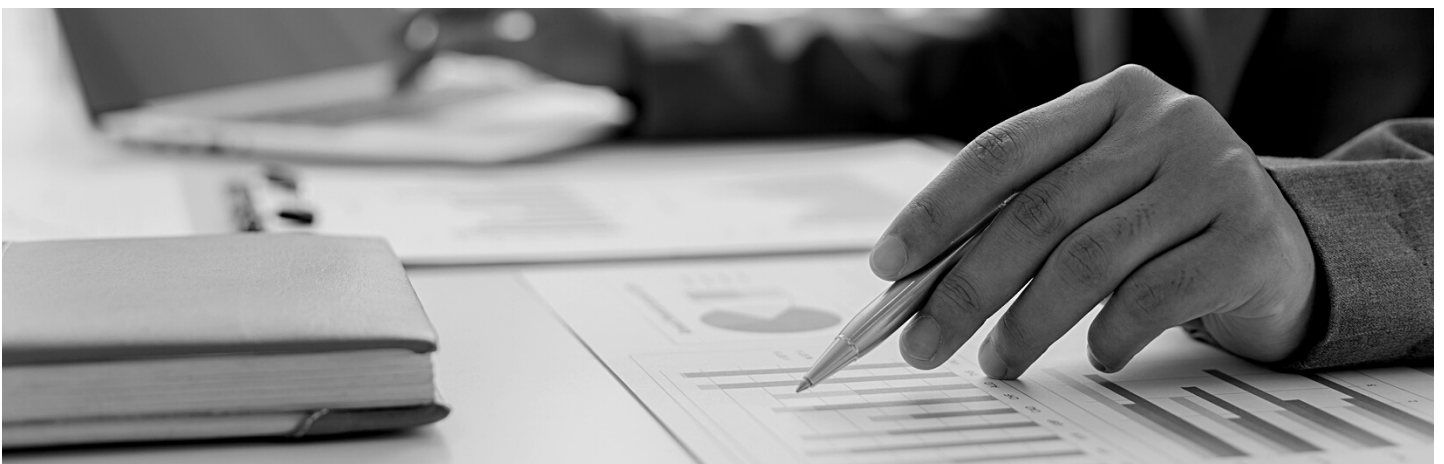
Actively exploring with the rest of the organisation how the finance team could better serve the other departments

Looking at what was needed to drive better strategic decisions and alignment to goals across the entire business.

Identifying the missed potential for insights from shadow data systems

The inclusion of a wide range of people from across the bank in the initial review led to a much better understanding on how Finance could help these external teams. Likewise, there was knowledge and insight that resided within these non-finance teams that Finance wanted to incorporate into their reporting for greater transparency and insights.

There was a very early recognition within Auswide that many people currently had very little exposure to the finance 'systems', and a sudden change in expectations would result in problems with adoption.



DISTINGUISHING HALL MARKS OF BEST PRACTICE

Being clear on your objectives and the problems you want to address as part of a modern finance transformation project is a starting point that every organisation brings to the table.

What was different about this project was the culture of participation from every area of the business.

THE TONE SET FROM TOP-DOWN

While the finance department spearheaded this project, the critical sponsors were the MD and the executive team. From day one, transparency at the C-Suite level was established by creating a joint task force and ensuring management understood the objectives of the project. The outcome of this was an unusually high level of cross-department alignment.

The transformation project had to be sold to the Investment Committee, consisting of the C-Suite execs, with communication to the Board at the strategic briefing outlining key projects for the year. The benefits and opportunities were articulated to, and understood by, all directors and management team members.

There was a belief in the benefits to be gained from all the different perspectives at the table. The power of multiple perspectives at this executive and strategic level allowed them to identify intersections and missed opportunities that their legacy system could not provide.

"The MD noted to me that "the presentation to the board was clever as the directors can appreciate there is real value to the bank and all departments and not just confined to the finance team functions."

Bill Schafer, CFO Auswide Bank

REMOVING DARK DATA

Initially, the project was focused just on Finance. However, the expansive consultative process that was a hallmark of this project revealed other data areas that they could not 'easily' access as part of their reporting. As a result, there were missed opportunities in these shadow data systems, creating 'dark' data within the organisation. We define dark data as information within an organisation that cannot be incorporated into or interrogated as part of the overall business data knowledge.

This was particularly evident with the decentralised AP system where shadow systems were duplicating the GL and record keeping functions.

Using the Infor d/EPM system, we are bringing this dark data into the one ecosystem and enabling cross relational reporting and new insights for the business to leverage.

COLLABORATION LEADING TO COMMON GOALS

The project was aimed at removing all assumptions from the table to allow new information and connections to surface. The Auswide project team achieved this by inviting key people from across the organisation to discuss their roles and how they depended on or intersected with the finance team.

Removing assumptions and letting input spring from outside the traditional points of a finance team yielded results in two key areas. The first

was identifying how Finance can better serve all areas of the organisation. The second was buy-in across the business on common goals and what they were trying to achieve.

"Again, referencing input from the MD he was most appreciative that he was able to drill down on financial data and reports at any time without waiting on Finance to send EOM updates and schedules."

Bill Schafer, CFO Auswide Bank

DISTINGUISHING HALL MARKS OF BEST PRACTICE

COMMON LANGUAGE

The GL had become unmanageable due to the sheer number of accounts and difficulty in summarising data by branch, product or department. There was a need to present a common approach and this looked like rationalising and bringing consistency to the chart of accounts.

However, this activity delivered the ability to bring disparate information together for more significant analysis. It also opened the door to others in the organisation to ask questions, be proactive and become more curious on behalf of the organisation rather than accepting a status quo or not being empowered to query anomalies.

CORE DELIVERABLES SHIFTED THE BASELINE

As part of the overall project, the following 'baseline' finance capabilities were delivered:

Management data and drill down capability was available and reported on automatically

Self-servicing and collaboration on reports across all business units

Modelling and forecasting on any number of scenarios part.

As a result, the Finance team reset their baseline for responsiveness, transparency and proactivity.

The all-inclusive approach laid the groundwork for everyone to be onboarded to the new tool set quickly and adopt new practices in-house. Change management around how people could do things better using the new system had little resistance, as there was already buy in and alignment established upfront.



THE ROLL-OUT PROCESS

The project, while led by Finance, involved every business unit throughout the organisation. This ensured that everyone contributed to the 'what and why of the project' and led to successful adoption across the organisation.

The project was sponsored by the entire executive team, jointly working through the process of:

1. Determining the business requirements
2. Agreeing on the roadmap for what will be done and when
3. Looking to sense check and properly consider all their options
4. Joint agreement on the final solution design.

While the actual implementation and migration to the new system took less than six months, most of the time was spent upfront putting together cross-functional teams to be part of the program. As a result, from initial inception through to delivery, the project took 24 months.

THE OUTCOME

The outcome is a Modern Finance system with:

- 360-degree view of management data now captured in the system
- Automated capture of data and reporting
- Self-servicing from all areas, including collaborating on identifying and resolving anomalies in the data
- Modelling and forecasting for enhanced strategy and operational decision making.

THE JOURNEY

The project was of course just the beginning of the journey. It was important that there be opportunity to continue to build on the base established.

It was never envisaged that this would be completed and signed off with no further progress. The transformation project will continue as new areas of automation, including budgets and product modelling, are built using the what has been achieved to date.

One spin-off project was actioned during the transformation to assist the Risk department with the highly complex AASB 9 monthly reporting. This calculates the provisions required on the life of loan credit portfolios. This is very detailed and requires many inputs.

A second project is being scoped which will deal with broker fees on loans which make up in excess of two-thirds of the bank's lending business. This project will automate the entire process from calculation of brokers' fees, claw back of those fees where necessary through to the extended recognition of the expenses over the life of the loans.



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