

Transformational journeys: Finance in an agile world

Transformation is a phrase that has been uttered in many conversations over the past years. Its definition can be confusing. The pace of change for organisations is continuing to accelerate and the forthcoming changes reflect yet more change in the years ahead. How should the finance community play its role in driving towards their organisations of the future?



Transformation: a changing field

The pandemic has seen many changes in the societies in which we live. The extent of these changes may not be clear for some time to come. For many organisations there has been a need to react to needs of the customer and their changing behaviours in a rapid manner. The nature of this response has been driven, in part, by the understanding of the behaviour that can be gained from the data that the organisation has available to it. Those organisations that have access to the data; who have progressed along a transformation journey; have been able to comprehend this. Having the technology available to analyse the data is also essential, which in turn is often Cloud enabled. None of this has value without an ability and culture to respond in a flexible manner – to be agile.

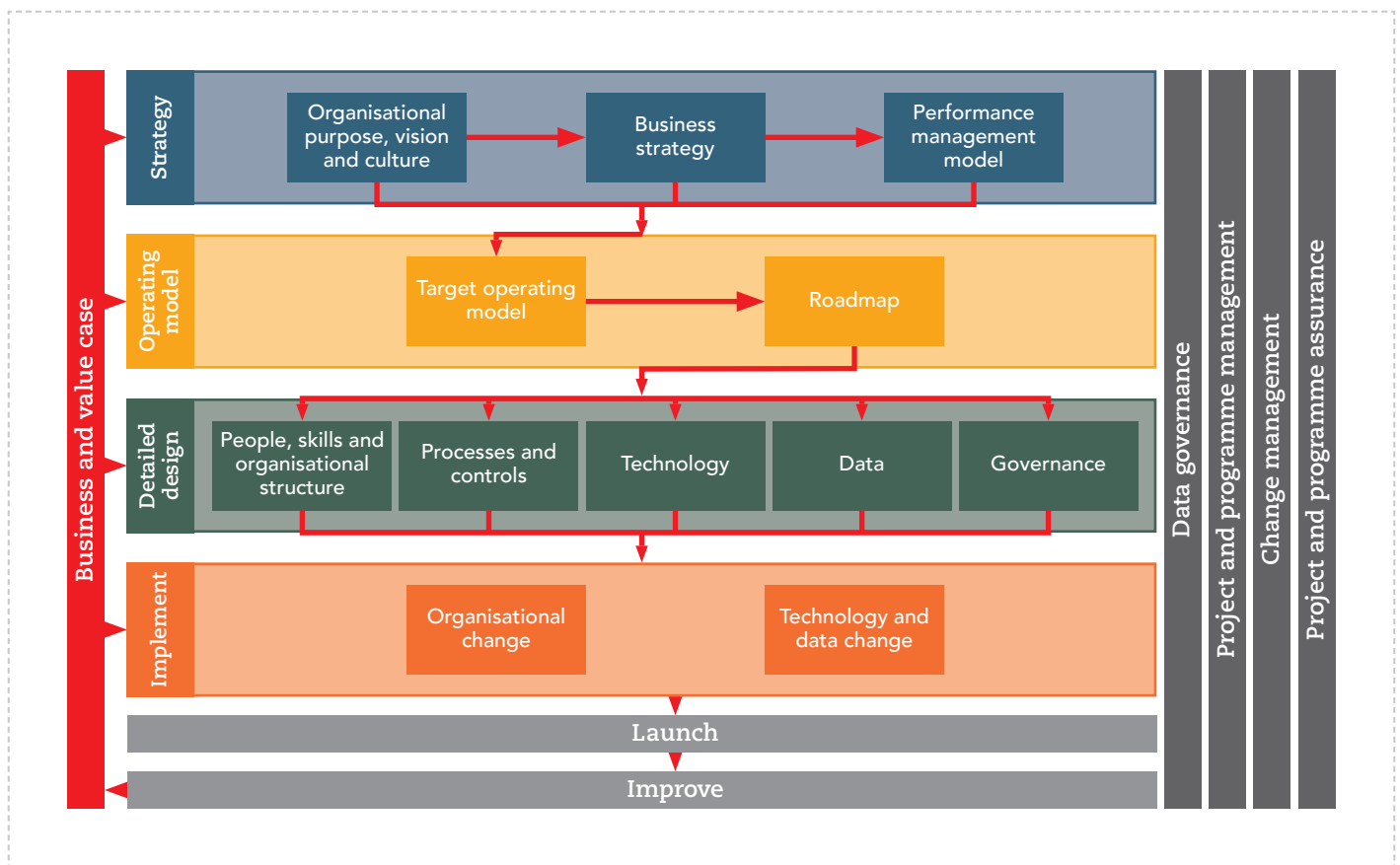
It is unlikely that this trend will change in the coming years. Yet the agenda that organisations need to respond to is expanding.

What is transformation?

TRANSFORMATION IS BEST EXPRESSED AS A DRAMATIC OR SUDDEN CHANGE IN FORM, NATURE OR APPEARANCE.

For organisations the improvement journey is not new. The term 'transformation' in this context dates from about 2015, however. Organisations have been changing since long before then. The expression can have negative connotations unless it is properly understood, and the behavioural change management aspects continue to challenge many organisations.

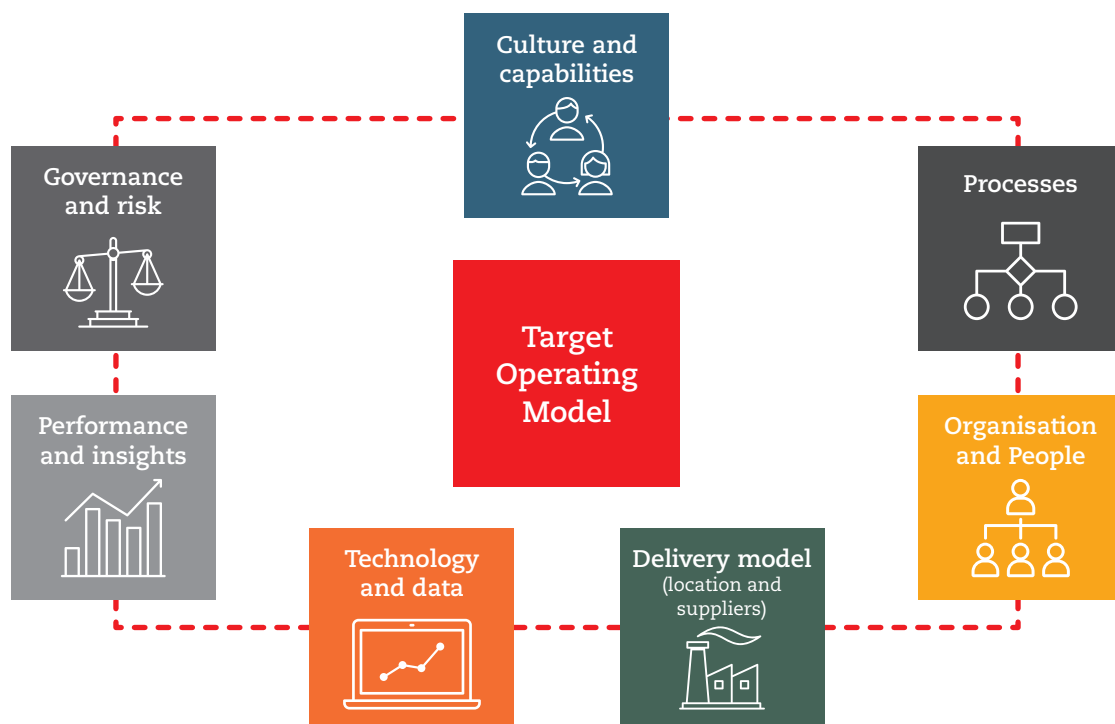
The following model represents a typical transformational activity chain.



Transformation has to start with the organisational purpose and vision. This cascades through to the strategy and how performance is measured. Finance professionals are at the core of this performance model and as increasingly organisations reflect on non-financial measures as well as financial ones, we need to recognise the role that finance professionals need to play from the initiation of any transformation project. Chief financial officers (CFOs) are increasingly being looked to by their chief executive officers (CEOs) to evaluate performance in many dimensions and the pandemic has reinforced this change in the role. CFOs are increasingly providing strategic advice to CEOs as well as engaging with a broader range of stakeholders.

This demand for change cascades to our future ways of working, as represented by the target operating model (TOM). In many senses the components of this model represent elements of the capitals that finance teams are increasingly reporting against.

In turn the TOM translates to both strategic and detailed level plans to execute the required change across the dimensions of people, process, technology, data and governance. It is important to stress that technology is only ever the enabler, not the definer of transformation initiatives.



The ambition of the finance function

To play its full role in transformation, the finance function itself needs a clear vision as to its purpose. There is an increasing role for insight and analytics across the performance agenda, supporting organisations in the delivery of their strategic objectives. Finance teams that purely focus on scorekeeping or compliance run the risk of being marginalised in their organisations and not being able to address the needs of the CFO.

Reframing their role enables them to contribute fully in organisational transformation. Being advocates for change and improvement rather than just the scorekeepers of expenditure. To achieve this there needs to be a repositioning of the role of the finance team, a strategic focus on data and technology and an investment in the skill sets to support the data and technology that underpin these insights, as well as the ability to tell the narrative that it presents. Being guardians of data integrity and the data model is a significant part of the performance agenda.

Successful transformations are collaborative activities. As initiatives need to be developed at an increasing rate to respond to customer and stakeholder demands so members of finance teams need to play a full role in these teams.

Changing face of transformation

The speed by which organisations need to respond to change drivers means that traditional approaches to change are no longer sufficient. Techniques such as Agile, Sprints and DevOps are the language of the present and those participating in the transformation activities need to be cognisant of these approaches and how they bring value and relevance to the discussions. Fail fast is a new mantra. It is better to have a minimum viable product, a first version that delivers, than no product at all. That is not to say that transformation is a technology led activity – rather it is first and foremost about people and process. If technology and data drive it then there is a loss of connectivity to the organisational purpose and performance management.

Taking all these initiatives singularly can compromise the TOM and there needs to be a degree of governance over individual projects and how they form programmes. It may be at the latter level that governance is strategically exerted.

In turn this changes our view of organisational change. This is now constant and incremental and needs leadership

from sponsors who are aligned to the business performance. Having an organisational culture that supports this is a key to success.

Not all projects are Agile, however. There is still a role of traditional approaches such as waterfall-based ones. Being adaptive is the order of the day.

Transformation itself is changing. The need to be able to respond to the changing needs of the customer requires organisations to have a mindset that is adaptable and flexible. Organisations need to be forward looking and opportunistic. This requires a mindset shift away from industrial age-based thinking to collaborative structures.

Evolving drivers of change

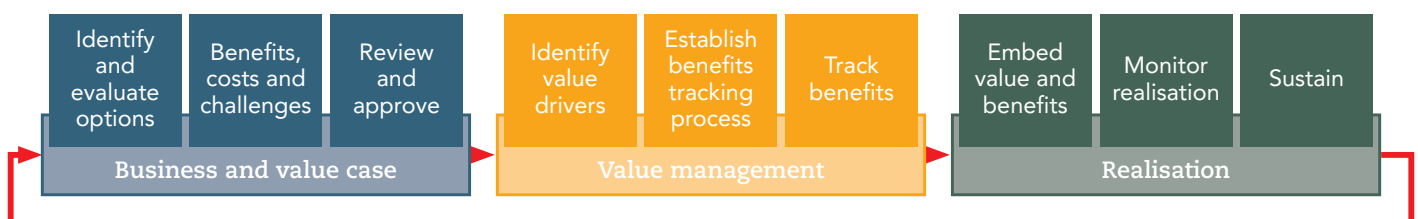
Historically transformation projects were typically responses to cost pressures or the need to improve the business model. With the move to the Cloud that sense of competitive advantage that accrued from a business model has changed to one where the advantage comes from data and our ability to use it to understand customer behaviour.

That is not the only driver for change, however. The environmental, social and governance (ESG) agenda is causing organisations to rethink their business models. The drive towards carbon neutrality, as an example, is not simply about emissions but also the impact on cost of capital and other dimensions of the business model.

Move beyond business cases to value cases

The rationale for undertaking an initiative is expressed through a business case. This reflects the objectives as well as reflecting the costs and benefits. Finance teams have compiled and evaluated return of investment and internal rate of return calculations as part of these and are often seen as the guardians of these elements. Those projects that are thought to have the greatest return were those that received the go-ahead. Whether the outcome was measured was another question.

It has become clear that this approach is no longer fully effective. It is time to transform our thinking from business cases to value cases. Initiatives that address ESG agenda are necessary for organisations but cannot always be measured in traditional financial terms. Our thinking needs to move more towards value and a broader set of evaluatory measures. An activity that is undertaken throughout the lifecycle of the initiative.



TRANSFORMATION ITSELF IS CHANGING. THE NEED TO BE ABLE TO RESPOND TO THE CHANGING NEEDS OF THE CUSTOMER REQUIRES ORGANISATIONS TO HAVE A MINDSET THAT IS ADAPTABLE AND FLEXIBLE. ORGANISATIONS NEED TO BE FORWARD LOOKING AND OPPORTUNISTIC.

Conclusion

Transformation is a core part of all organisation's future. Finance teams need to engage throughout and bring their valuable skills and talents to activities. Use these 12 ideas to transform your approach to transformation.



For a discussion on the key observations and actions in the report listen to the podcast.

Finance has to transform its role before it can play an effective role in organisational transformation	Focus on purpose and customer value when driving transformation	Transformation is a continuous process	Strong leadership and culture are vital in a successful transformation	Programmes are becoming more important than projects	Business cases are now value driven not just cost driven, incorporating ESG goals
Cloud is an enabler to transform, not an end goal	Not all projects are agile; projects form portfolios	Effective use of data by people and processes is the key to organisational transformation	Skills in technology and data are essential as are innovation and creativity	Pace of technology change will not slow nor will organisational change	Transformation is a business-led not a technology-led activity



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