Millennium Consulting

Finance Transformation
Change Management Guide

This guide covers the key areas you need to focus on when managing significant change within your finance department. It outlines the elements you need to have in place before, during and after transformation, along with best-practice management advice.

Part 1: Building blocks for change management

The challenge

Finance transformation typically involves several different elements.

There is usually an emphasis on creating extra bandwidth: i.e. streamlining and automating processes, to free up resources so that the finance department can devote more time to value added activities including strategy.

Secondly, there's the introduction of new capabilities: e.g. data analytics, scenario planning and on-demand reporting (to name just a few). The focus here is on delivering the type of real and near-time insights demanded by the business.
Thirdly, transformation will impact the team itself. Roles and responsibilities may need to be redefined. An element of upskilling will almost certainly be required. You may also need to bring on board additional skills, either by hiring, or via the consultancy route.

But as many as 75% of transformation projects fail to live up to expectations. In most cases, the failure lies not with the changes themselves (e.g. new processes or technologies), but with the ways in which those changes are implemented.

The biggest challenge often involves selling the change to the people who will be impacted by it.

The action plan

A compelling transformation vision

Not all staff will be enthusiastic about change. In fact, amid all the talk of streamlining and reducing the need for manual input, some may see it as a direct threat. To win over hearts and minds, you should provide your team with a compelling rationale for transformation: i.e. what you are trying to achieve, what this means for the finance function, business and what it means for individuals.

Bear in mind that a third of employees (and almost half of younger workers) would consider leaving an employer for career development reasons. As such, it's important to highlight the development opportunities that will arise from the transformation: e.g. greater scope for collaboration with other areas of the business, and the opportunity to gain proficiency in new technologies.

Leadership: internal or external?

Broadly, this leadership role involves the following elements:

- Defining what your organisation is seeking to achieve from transformation
- Selling the transformation vision to C-level executives
- Choosing what measures to introduce and when
- Encouraging the rest of the finance team and getting them involved in the project
- Overseeing implementation and assigning individual roles and responsibilities
- Monitoring the outcomes of any changes made

Who should lead your transformation efforts? On one hand, there's a strong argument for placing your CFO in charge. After all, this individual is familiar with the organisation's processes and their opinion is likely to hold sway, both with the C-suite and with members of the finance team.

However, while company-specific knowledge is important, there is often an equally strong case for bringing an external expert on board. An outsider can offer a fresh pair of eyes. They can look at the change management challenges you are facing objectively, compare and contrast with other organisations and provide advice.

When deciding between an internal stakeholder or an external expert, there is no universal right or wrong option. Much will depend on company culture. For instance, it may be that existing senior employees are regarded as being very closely associated with existing ways of doing things. If that's the case, it could be hard for them to approach change from an unbiased, self-critical perspective. On the other hand, you might feel that an outsider simply won't have the sway to bring the organisation along with them.

For many companies, a 'hybrid' approach to leadership could be the answer. With this, a key insider (most likely the CFO) is in overall charge of the project and takes the lead in communicating with the rest of the organisation. However, there is also strong reliance on external expertise to bridge skills gaps and to impart best practice advice.

Communication

If procedures are changed, or new software is suddenly introduced without explanation, it can increase the likelihood of resentment and lack of engagement. An effective communication plan addresses this. Consider the following:

- Provide an initial timetable setting out how the finance function, responsibilities and procedures are changing and why. (This helps to prevent unwelcome surprises for staff further down the line)

- Establish a regular communication cadence, supplying updates on the latest changes, upcoming steps and outcomes

The challenge

With any finance transformation initiative, it is not just processes and functions that are affected. It typically involves changes in finance team structure, responsibilities, expectations, hierarchies, pay structures and even individual employees' career paths.

So far, we've outlined how important it is to have a compelling vision, the right leadership and communication: i.e. the building blocks for transformation. As we've seen, in many respects, change management and people management are virtually synonymous. The following action plan covers best-practice suggestions for managing expectations, as well as achieving finance team and wider organisational buy-in.

The action plan
Invite input from employees

Buy-in for transformation is much more likely to occur if the people affected see it as something they are actively shaping, rather than something that's happening to them.

At the outset of the transformation project, ask for employee opinions on what they think needs to change and why. For instance, which processes cause the most frustration, or the greatest potential for error? Which activities do they think could be made easier and how? What type of additional data do employees think would enable the creation of more accurate and useful reports? As well as promoting team engagement, this fact-finding can also provide valuable intelligence on which areas to focus on and prioritise as part of the transformation initiative.

When considering possible solutions to adopt, allow team members to try out the technology. Ask them to critique it. This can help you make better procurement decisions. Also, people are much more likely to be on board with new software if they can see how it will make a difference day to day.

Skills audit and role reorganisation

Change management leaders face a twin challenge on the HR front. You need to make sure you have the right skills in place for the initiative to succeed. At the same time, you need to start preparing staff for the future implications of transformation.

Managers need to ask the following questions:

- What skills will we require to support the business as it seeks to implement and optimise finance transformation?

- What will be expected of the finance team in the next 12 to 18 months and three to five years?

- How will this impact day-to-day workloads and responsibilities? For instance, if everything goes to plan, there is likely to be a significantly reduced workload in connection with tasks such as month-end reporting and transaction processing. However, there is likely to be an increased need for data and analytics skills.

- Do we need to reorganise career paths for individuals impacted by the changes?

- What upskilling and development measures do we need to have in place to meet organisational requirements and to bring team members on board?

This will require examining team members' current job descriptions. If certain jobs are likely to become surplus to requirements, what are your options for role amalgamation or redeployment? If some redundancies are inevitable, transparency from the outset is usually the best strategy. Otherwise, in the absence of information from management, employees will fill in the gaps themselves, leading to fear and resentment.

Rolling out skills training

Transformation leaders should make it as easy as possible for employees to develop the skills they will require in the new finance environment. Strategies for this include the following:

Personal development plans

Liaise with employees to put together personalised training programmes. Ideally, these programmes should strike a balance between meeting organisational needs as well as individuals' aspirations. As an example, an accounts assistant will need to be taught how to use your new reporting software. But they may also have expressed an interest in learning about advanced analytics and scenario planning. The development plan could cover all of this.

Data literacy programme

This might take the form of a presentation, providing information on all the data sources in play within the organisation and explaining their value and uses. Initiatives such as this can be highly useful in explaining the big picture of what you are trying to achieve with transformation and how everything fits together.

Self-service training

Transformation often involves the implementation of multiple new technologies, often in quick succession. For staff on the ground, it can be a lot to absorb and adjust to. To manage it, consider curating your training material into a single, searchable learning hub. This can make it much easier for employees to find key information (e.g. how to create a specific type of report) right at the point of need. It also makes it possible for staff to learn at their own pace and in bite-size chunks.

Encouraging wider commercial awareness

One of the driving forces behind transformation is to equip the finance team to deliver strategic insights to be put to work throughout the organisation. But if this is going to happen, you need to make sure the finance team is actually speaking the same language as the rest of the business.

Ideally, finance will shift from being a standalone transactional function, to becoming a strategic partner to other departments within the business. To manage this shift, here are a couple of areas to focus on:

Translating 'accountant speak'

Everyone in the accounting and finance team knows the difference between a gross profit margin and operating profit margin. But in the sales, R&D and logistics departments, knowledge of these concepts is probably going to be patchy to say the least. Likewise, when you raise a matter such as profitability, different stakeholders might interpret it in different ways.

As part of the changes you are making, finance team members are likely to be involved in creating a range of reports, supporting narratives and presentations for multiple departments. To succeed, they need to develop the skill of tailoring their offerings for different audiences. It involves avoiding the assumption that finance jargon is universally familiar, as well as double-checking that the reports prepared are understood.

Familiarisation with business processes beyond finance

To achieve your aim of transforming finance into a trusted business partner, the department needs to be able to deliver the type of insights that other people within the business can actually put to work. Examples might include identifying specific opportunities for performance improvements and efficiency savings, helping departments to define their own metrics to track and critiquing whether a particular department is creating value for the company.

For this, the team needs to become familiar with what different areas of the business do and how they do it. What are the department's key processes? How do they link into each other and create value? It may be worth enabling team members to spend some time in different areas of the business to gain this awareness.

Rewards and recognition

Have you successfully completed your latest round of reporting with new technology in place? Has your latest assessment of risks and opportunities attracted some positive feedback from senior management?

Publicly recognising the employees involved can go a long way in keeping motivation levels high. You might also want to consider a formal rewards system based on measured results and improvement.

Part 3: Technology: prioritisation and adoption

The challenge

Change everything at once ('big bang' transformation), or is it safer to evolve slowly? Both approaches have their pros and cons. Implementing multiple new technologies and processes simultaneously can be too much for your team to absorb. On the other hand, if you move too slowly, the project risks losing momentum, while stakeholders may lose interest if concrete results are too slow to materialise. Here are some key considerations when deciding on the best approach in terms of speed of change.

The action plan

Prioritise process optimisation

It can be tempting to focus on game-changing technologies first of all, such as advanced analytics and AI-based projects. This is especially the case if there is internal pressure to rapidly improve the company's decision-making capabilities.

However, in terms of prioritisation, it is generally better to fix existing inefficiencies before focussing on novel capabilities. After all, it is going to be very difficult for employees to gain familiarity with new technologies if they are still subject to routine transactional tasks.

Review processes. Which require the most resources? Which are rules-based? These processes are almost certainly ripe for automation. Addressing them will free up bandwidth for further innovation.

Reduce silos

The CFO needs visibility across the whole organisation. Stakeholders will be looking to the finance function to provide a joined-up picture.

However, if data continues to remain scattered across systems and departmental silos, it is going to be difficult to deliver results.

Unless finance has comprehensive access to all relevant data sources, the quality of reporting will almost certainly fail to meet expectations, resulting in frustration and likely project failure. This is why you organisational data architecture is an early priority. The aim should be to integrate all relevant data sources from across the organisation.

Dashboards to drive adoption

A recent survey suggested that almost £6 billion worth of software is sitting unused with UK businesses. This so-called 'shelfware' is one of the inevitable consequences of poor change management practice. It's when employees have technology at their fingertips, but for various reasons, are unwilling or unable to deploy it.

If a particular solution is seen as cumbersome or difficult to navigate, users are much less likely to use it and will revert back to older, familiar ways. Often, the problem lies not so much with the technology, but in the failure to configure it to each user's needs.

Let's say, under your proposed new way of working, finance employees require access to several automated solutions for regulatory reporting, along with a data analytics suite for tasks such as scenario planning. It can add up which is why the right dashboard can prove invaluable: a relatively simple interface, designed to supply the individual user with precisely the information they need, just when needed.

The day-to-day needs of a finance director are different from those of an accounts assistant. Likewise, stakeholders from other departments will have their own, distinct requirements. As such, dashboards should be configured to individual user needs in order to drive adoption.

Bear in mind that designing an easy-to-use yet comprehensive dashboard for different user profiles, selecting the right KPIs to track and utilising appropriate visualisations all require considerable expertise. This is an area where external input can prove extremely beneficial.

Next steps

Successful transformation of the finance function can only occur with employee buy-in. Seeking the team's input at an early stage, leadership and communication are all vital. The same goes for your choice of technologies to adopt, the velocity of change, the provision of training and support.

As for the specifics (i.e. what to change, and when), there are very few universal rules. Much depends on your unique business requirements, organisational culture, budget, aspirations for the future and a host of other factors.

Over the past three decades, Millennium Consulting has established a reputation for helping companies solve their most complex business problems. We specialise in best-practice advice on what is likely to work (and what's not), unbiased guidance on technology choices, along with all the support you need to transform your organisation and keep your team on board.

To keep your change management strategy on track, speak to our team of experts or email us today at assist@millenniumconsulting.com

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