How to prepare for a Finance Transformation in 2024

A practical guide to help you plan for what's ahead

KPMG firms have guided many clients through the challenges of a finance function transformation, enabling them with Microsoft Dynamics 365, towards successful outcomes and new ways of working for finance.

KPMG processionals work hand in hand with our clients, drawing on the breadth of our experience to help guide them through their transformation journey. Clients have discussed key learnings from these projects. These are the top six they have consistently shared with us, so we thought we'd share them with you.

01 Be prepared to lead from the top

02 Properly plan for business-as-usual

03 Accept help building a broader business case

04 Get a handle on your data, insights and reporting complexity

05 Pre-plan how you'll manage a cloud solution

06 Look beyond go-live

If you're about to embark on a finance transformation journey, this practical guide for CFOs can help you plan for what's ahead.

01
Be prepared to lead from the top

Finance transformation is not something you can have done to you or for you. It should not be a passive process. With the right partner, it should be a dynamic experience that can be quite demanding on your team and your leadership skills.

Modern technology enables a much more immersive change programme with decisions often taken quickly. At the very least, this may require a different attitude to change and a change in culture to absorb it. Your job as a senior finance executive will be to drive this.

What will likely be expected of you

Setting a roadmap

For the function to reach its potential, you can set a transformation roadmap for ERP/finance. It should recommend where to start, how quickly to drive change, and what service delivery models to pursue. Microsoft Dynamics 365 supports a modular approach; therefore, you'll be intimately involved in how a modular roadmap might look for you. Influences that can shape a roadmap might include end of life of a core system, a particular functional pain point that needs resolving early, a managed release of budgets, key business dates where business as usual takes priority and appetite for risk (resulting in deploying by location or business unit).

Delegation

You'll need to decide where decisions can be made. Process decisions should be taken by process owners, but you may need to escalate decisions around setting controls. The equation has snow-ball potential: more delegation, the greater the dynamism, the speedier the outcome and the higher the user adoption.

Driving the right attitude

This is not just a system replacement exercise. Transformation is about changing the way you work, enabled by a new system. Your team needs to be on-board with this thinking and be open to innovation. Effective change management can help overcome the "we've always done it this way" attitude.

Empowerment

To get the high-level results from delegating, you need to empower your key team members and be clear about what they can and can't do without your sign off. Give them responsibility for decisions such as what level of automation there should be — for example, the accounts payable team should decide whether to use machine learning to read directly from invoices.

Among of CFOs are instilling a leaders is celebrated finance culture where innovation **70%**

Source: KPMG in the US 2022 Elevating Finance Survey, KPMG in the US Data Imperative

02
Properly plan for business-as-usual

Naturally, it's important to have the right people and the right level of resources on the change project. But business-as-usual will make demands on their time too. One of the top learnings from clients was how to get this balance right, especially for senior managers for whom the demands of the transformation could have the biggest impact on parallel business-as-usual activities.

How to manage the demands

Understand the effort required — an experienced transformation partner should be able to define in some detail the level of your resources needed, and the amount of time individuals will need to contribute.

Look for partners that have a solid methodology — every session needs to count, especially for senior staff. Transformation partners that bring with them a solid change methodology will help get the most from your available time.

Embrace remote working — modern change management tools and methods should support remote working. These can significantly reduce the time demands of senior individuals, so make sure your partner has them in their armoury. They also help to keep the program on track during sudden changes to the working environment as we learnt during the lockdowns in 2020 and 2021.

Invest time upfront in vision and validate — this sets the stage for the transformation from which everything else will flow. Get this right and it will reduce the overall effort your senior finance staff will need to contribute.

Change programs can be very time consuming. Clients reported these senior roles as typically needing to set time aside for a digital transformation project:

- CFO/Finance Director/Financial Controllers — would have commitments to key governance meetings (for example, steering committees etc.).
- Finance architect — full time.
- Process owners (one per area, for example record to report, source to pay, quote to cash etc.) — 70 percent commitment.
- Process subject matter experts (probably 3-4 per area) — around 35 percent commitment each.

Add on to that, various finance and technical roles, depending on the implementation plan.

Among finance leaders **>66%** have robust talent strategies to elevate role of finance

Source: KPMG in the US Elevating Finance Survey Overview and Transformation Journey, 2022

03
Accept help building a broader business case

Even if you've decided to move now because you need to replace your legacy finance system, you should approach the project — and the business case — as a one-off opportunity for strategic change. Although 'do nothing' may no longer be an option, just 'doing something' is probably not the answer either. Implementing existing ways of working on a new technology platform rarely delivers anything other than a short-term fix. But getting significant investment for finance operations can be hard unless the business case stacks up.

What to include

As a minimum, your business case should include:

A realistic tech strategy

This should articulate the potential efficiency gains to come from implementing a new platform. This means that you need to understand the target operating model with a detailed picture of the degree of process and people efficiency gains to be had, as well as the positive impact on service delivery models (for example, full centralisation or hub and spoke).

Consideration of the employee experience

Microsoft Dynamics 365 presents a familiar look and feel to users. This leads to high acceptance and adoption rates, higher levels of usability and employee effectiveness and a desire from users to push the platform to do even more with it. In turn, this can improve the service they provide to their internal and external clients.

A deep understanding of the ramifications of a modern ERP system

This will include an understanding of:

- Which elements of your existing data it should retain vs. how much should be retained elsewhere solely for audit/reporting purposes
- The resources needed to build additional requirements around it (albeit low-code)

- The resources needed to manage a modern ERP environment, which is subject to periodic updates
- The skills needed to reflect that your support model will change from break-fix to one of continuous improvement
- The efficiency improvements you can gain, such as a modern lifecycle policy and a reduction in on-premises infrastructure.

When you're planning what ongoing resources to build into the business case, you should include: planning, release management and testing capacity; a managed service provider (or internal centre of excellence team) to identify improvement opportunities; and finance team personnel with a mindset towards continuous process improvements.

Many clients found building a broad but thorough business case hard to do, so accept help from experts from the outset.

It's important to remember that your choice of ERP also impacts your wider tech strategy. Your project can lay the foundation for unlocking further possibilities through the Microsoft technology stack. A good partner can help you understand the art of the possible and create a business case that takes into account your AI strategy and your modern device strategy, for example.

Among **#1** finance leaders the desired competency is ability to connect outcomes to financial impact

Source: KPMG in the US 2022 Elevating Finance Survey, KPMG in the US Data Imperative

04
Get a handle on your data, insights and reporting complexity

Data impacts every aspect of a finance transformation. Building a data, insights and reporting strategy might sound very grand, but you could start by getting a handle on what you have, where it currently resides and whether you're likely to continue to need it. The reality is that you'll have finance data in many different places, not all of which will be migrated to the new technology platform. In fact, you should resist the temptation to migrate everything.

Have a strategy

Build an enterprise-wide data strategy for finance — Microsoft Dynamics 365 gives you the opportunity to consolidate data into one place as a 'single source of the truth'. However, you need to consider what to do with historical data. Rather than migrate seven-year-old data into the new platform, it may be better to store it separately in a data repository and call on it at a report level when needed.

Build an insights and reporting strategy for finance — a new finance platform can help deliver more insights than your legacy platform because it has been designed with the right data model to do so.

But you may have reports that your business needs that might be non-standard or pull in data from multiple sources. It's worth knowing the extent of this beforehand. Consider auditing your existing reporting and identifying which of these are still produced but not really used. This can reduce ongoing reporting costs.

All of this feeds back into the data migration plan for your finance transformation. Doing this work up front can reduce effort and cost later and can act as a vehicle for meaningful discussions with the user base around their insight and reporting needs.

More **80%** of organizations are than integrating external data into strategic planning and decision making

Source: KPMG CFO agenda for elevating finance 2023

05
Pre-plan how you'll manage a cloud solution.

Your users just type in the URL and off you go, right? Not quite. It's a bit of a misconception to think that a cloud-based solution is simply plug and play. Cloud platforms can provide fantastic benefits but there's still tech infrastructure work to do around them. You still need to think about resourcing levels and skills needed to keep the platform running smoothly and securely.

In particular, you need to consider who will manage (broadly) first line of support (usually internal), second line (either internal centre of excellence or managed service provider), third line (platform provider). Depending on the skills of your implementation partner, it usually makes sense to choose them as the managed service provider on an ongoing basis.

What you'll need to still do

Manage the user base — you'll still need someone internal to manage adding, deleting, and helping locked out users. You're unlikely to outsource this (and other relatively low-level day-to-day user support tasks) completely to a managed service arrangement.

Look after performance and security — it's just that the focus changes away from server load towards network load, away from system security towards network and access security, away from application security towards data and risk compliance.

Integrate with other business systems — you'll need to think about how you integrate other systems, the frequency and volumes involved, who are your internal experts on these other systems and what is their availability for this project? What other projects might be running that could impact the finance transformation? (e.g., another critical business system upgrade.) Challenges often include having access to legacy system technical expertise on mechanisms for integration or to create

a testing environment for legacy integration. There can also be issues around where master data is held (e.g., for customer or supplier data) from which other systems can be sure to be drawing on the 'single version of the truth'.

> Over **75%** of organizations are enabling organizational agility with a digital-based Center of Excellence
>
> Source: KPMG in the US Elevating Finance Survey Overview and Transformation Journey, 2022

06

Look beyond go-live

You may be coming from an environment where you've been living with aged legacy technology for some time. You'll know the frustrations this brings and how it has been holding you back. A new platform will likely be great once it's gone live. But it would be wrong to park it there. A significant benefit of a cloud-based tech platform is that it can evolve over time, bringing continuous improvements through new capabilities and new efficiencies for your advantage to take advantage of.

What this can mean to you

Be ready for system updates — as a minimum, be prepared to take regular system updates to stay current. Microsoft makes big investments into the Dynamics 365 platform, and you'll want to be able to take advantage of them.

Be ready for updates to the finance model — if you've worked with a partner that has provided the finance process models, you should be able to look forward to improvements in the latest finance core process capability and updates to the finance operating model that will support your ambition to continuously improve the finance function.

Maximise your ability to leverage other technology — similarly, your partner should be able to help you keep current with leading practice around data and insights, service delivery, people roles and skills, governance and controls and enabling technologies. These are all designed to allow your investment to continually return value to the organisation.

Build the right skillset — to take advantage of system updates, operating model improvements and to intercept emerging tech that adds value, you need to have the right team in place (which could be a subset of the programme team). Don't leave it as an afterthought, and please make sure it's in the business plan.

Tomorrow's finance function, today

Finance transformations are not easy, but with the right guidance they can achieve everything they set out to do.

The key learnings from clients we have worked with on Microsoft Dynamics 365 enabled finance transformations could help you to be ready for what is ahead.

Roughly half of these learnings relate to getting you and your team to the right place and mindset before you start — being prepared to lead from the top, properly planning for business-as-usual and having a broad business case (built with outside help).

The other half broadly relate to getting ready to manage some of the complex technical aspects of a transformation — getting a handle on your data, insights and reporting complexity, pre-planning how you'll manage the cloud solution, and looking beyond go-live to help ensure the platform and your processes stay current.

Each learning might indicate to you that you should choose a transformation partner that has a broad and proven finance transformation capability — one that can guide you through the full range of challenges you might face.

Among finance leaders **>75%** have dedicated transformation teams and Digital Centers of Excellence

Source: KPMG in the US Elevating Finance Survey Overview and Transformation Journey, 2022

How KPMG Powered Enterprise Finance can help

Microsoft Dynamics 365

Microsoft Dynamics 365 brings you the finance applications of the future, ahead of time. The investment that Microsoft makes into Dynamics 365 and to the Azure cloud platform makes it one of the leading solutions for finance operations and wider ERP requirements.

KPMG Powered Enterprise Finance

As one of our key learnings indicates, it would be wrong to implement existing ways of working on a new tech platform. A better way could be to adopt KPMG Powered Finance, enabled by Microsoft Dynamics 365.

KPMG Powered Enterprise Finance provides a better-quality design by starting with the model answer; it helps get more from technology by knowing how best to use it and where to apply automation; it helps mitigate risk by not starting with a blank canvas; and it helps foster continuous improvement and excellence after go-live.

KPMG Powered Enterprise Finance, enabled by Microsoft Dynamics 365, consists of leading finance processes and operating models that are pre-configured for (and known to work on) the Dynamics 365 platform. It is designed to get you straight to the forefront of business finance practices — and to keep you there.

Get in touch

We'd love to discuss any of your needs and requirements, so please get in touch with one of our team.

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Further reading and an informative video can be found here

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