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Are you ready to make the switch to Lights Out Finance?

In the era of self-driving cars and self-directed teams, the prospect of an autonomous finance function—which we refer to as Lights Out Finance™—fits right in. But reaching that state requires CFOs and finance teams to leap from the piecemeal automation of manual finance processes to autonomous service delivery with almost no human intervention.

How big is that leap? Perhaps not as far as some CFOs might assume. Many finance organizations have already made great strides in applying automation to largely manual finance processes, such as invoice management and accounts payable, but these tools still require people to supervise the process and apply judgment on demand. So, while operations might be automated, they are neither autonomous nor efficient.

Organizations can achieve Lights Out Finance by deploying end-to-end technologies like artificial intelligence, robotic process automation (RPA) and advanced analytics. It represents the difference between using a patchwork of technologies to streamline discrete processes and modernizing core capabilities as part of an integrated function, where different technologies connect in a seamless end-to-end process. The goal: a fully digital function that requires minimal intervention by the finance team. In this scenario, the CFO, whose role is often described as the one who "makes sure the lights are kept on," now assumes responsibility for building a strategy for flipping the lights *off*—then figuratively walking away to focus on more forward-looking issues.

That changing balance in the CFO's duties points to a critical benefit of the Lights Out approach. Shifting from automated to autonomous allows the finance function to achieve an exponential level of efficiency, reduce costs, and become more agile—while digital technologies autonomously execute processes end to end.

Human intervention is the exception, freeing up finance professionals to shift their efforts to higher-value strategic activities and to generating more significant insights for the business.

Of course, identifying and implementing a combination of capabilities and tools that can operate as a unified ecosystem can be challenging. Lights Out Finance is not a destination finance executives can reach by following a proven path. Instead, it combines many interrelated advances in adapting digital capabilities. Collectively, they can have a transformational impact.

In this edition of *CFO Insights*, we'll attempt to shed light on the choices and trade-offs for CFOs to consider in evolving the finance organization toward a Lights Out model.

High-Pressure System

Under pressure to do more with less, the finance function faces increasing internal and external demands. Even as some CFOs feel compelled to ensure that the function can execute higher volumes of transactions faster, they also face the expectation that finance will deliver forward-thinking strategic insights, thereby increasing the value they add to the organization.

One of those duties can't come at the expense of the other, which leaves finance leaders trying to find the right balance. Internal challenges, such as departmental silos, rigid workflows, and disaggregated data, make it more difficult for CFOs to confront increasingly complex external pressures. Those challenges range from new regulations and laws to talent shortages to—more recently—supply chain bottlenecks, pandemic-related problems, and climbing inflation. In addressing those issues, some companies may have edged closer to the Lights Out model than they realize (see the accompanying story, "How Lights Out is your finance function now?").

For some companies, an updated foundational technology, such as a cloud ERP, can be a central hub connecting to spokes consisting of processes and activities operated by technology. The cloud ERP may serve as a catalyst for deciding which transformational programs tie into the organization's strategy and the finance function's future goals. Every step the company takes toward Lights Out Finance brings it closer to having a genuinely dynamic capability equipped with agility in the face of volatility (see "Why CFOs are moving toward a more dynamic finance function," *CFO Insights*, July 28, 2022).

But before taking on a Lights Out effort, it's essential to define the actual and potential benefits. Consider addressing the following areas in the planning phases:

Standardize data and processes. Technologies such as artificial intelligence (AI) are data-intensive, meaning the company may need to impose a standard structure, strict governance, and tight management across all systems. (See "Mastering data for better insights—and competitive advantage," *CFO Insights*, January 2021.) Standardizing data, as well as processes, is critical to applying analytics and garnering insights (for other enablers of Lights Out Finance, see Figure 1). Redesigning and standardizing could yield near-term savings that may help fund longer-term initiatives.

Define the value case for Lights Out investment. Why is the organization undertaking this transformation? The value case may start with cost reduction and unlock additional sources of value as the project matures. CFOs may see the benefits of leveraging tools, such as machine learning and natural language processing, to boost the performance of the order-to-cash process, including automating credit approvals and reminders. Finance may

Figure 1. Enablers that make Lights Out Finance click

No matter your starting point, or ultimate destination, these enablers help Lights Out shine.

Standardized processes that enable automation and improve efficiency and efficacy.

Cloud-based ERP through a single platform that reduces technology redundancy and can shorten close cycles.

Automated and purpose-built technologies—including cognitive and machine learning capabilities—that free up human time to do more value-added work.

Self-corrective tasks—utilizing RPA and advanced AI capabilities—that improve accuracy in complex transactional environments.

Advanced analytics and self-service capabilities that provide automatic insights and real-time reporting.

Standardized data that allows for the agility to change course and strategy as needed.

Flexible service delivery models that include workers, robots, and algorithms (think humans *and* machines working together to bring out the best in each other).

Systemically configured and automated controls framework geared toward risk sensing that operates around the clock across the entire chain of processes; Lights Out won't work without those vital guardrails.

With the right mix of capabilities to support your vision, your Lights Out road map can lead to an evolved finance organization driven by insight, analysis, and outcomes, instead of transactions and the same processes over and over.

Source: *Crunch time* series: Lights Out Finance,™ Deloitte Development LLC, 2022.

begin to see the benefits in reduced days sales outstanding and increased profit margins.

Determine where finance has the most value to gain. By taking an end-to-end view, CFOs can identify areas that may initially benefit most from a Lights Out strategy. Deciding where to initially pull the lever in any given process means examining the skills of the people involved, surveying the availability of data, and identifying the technology required. As with any transformation, early wins can build momentum for subsequent successes.

Fix broken processes before automating. Before optimizing any process, it's crucial to understand it. That may require mapping the value stream to identify—and remove—inefficiencies. Technology won't fix a broken process; it will just execute it faster.

Thinking Machines

Typically, technology tools have enabled pockets of productivity, reducing the time—and operating costs—required to process an invoice end to end. Far from thinking for themselves, earlier automation tools followed rigid rules, dependent on templates or keyword databases.

What's made the Lights Out Finance model possible, or even conceivable, is the fact that AI and associated technologies are both self-learning and self-correcting. Advances in AI—apparent not only in self-driving cars, but also in working robots, chatbots, and drones, to name a few—have led to "autonomous intelligence," meaning that machines can make decisions and act independently without human supervision. As the necessary storage for such data-hungry technology has become increasingly affordable, companies can make better predictions at a lower cost than in the past (see "Getting ahead: How CFOs can align minds and machines to reinvent forecasting," *CFO Insights*, October 20, 2022).However, what remains difficult to predict is the exact path CFOs should take as they transform the finance department into a fully automated Lights Out function.

Illuminating Questions

Below are some questions CFOs may want to ask to determine how and why they should make the switch.

1. **What outcome do we want to achieve?** Remember: Lights Out is an integrated end-to-end strategy across people, processes, data, and technology. Given the inherent ambition, it's likely worth outlining your goals for the finance function *before* implementing a single tool or technology. The risk: rushing in and adding an application to a specific process area may result in choosing a solution that won't scale.

2. **Do we employ the skill sets we need?** Figuring out the combination of tools the company needs is only half of the equation; the other half is employees, who need to apply next-generation skills and new thinking to enable the technology. Such capabilities include using predictive tools and analytic forecasting and conducting probability-like analysis. Employees also need to be able to troubleshoot in situations where the AI model gives erroneous results.

3. **How does our organizational model need to change?** Paving the path to Lights Out requires an agile and flexible organizational model, a combination of skills and tools that can drive innovative thinking and support transformation. A fully digital finance function can upscale or downscale based on the demands of the business—reducing costs and enhancing flexibility.

4. **How strong is finance's relationship with IT?** Many finance organizations are growing more technology-savvy (see "You have just inherited IT, now what? Ten considerations to help shape your priorities," *CFO Insights*, May 19, 2022, and "How CFOs can make their IT inheritance less taxing," *CFO Insights*, June 9, 2022). But both functions need to partner closely to achieve the full benefits of the Lights Out approach. As the line between them begins to blur, their focus should become more aligned.

Human Nature

The other relationships that are changing—and profoundly so—are between business leaders and technology. The availability of technology that can execute complex tasks without human involvement requires a fundamental reorientation in thinking about how a business works; what people do, how they do it, and where; and where CFOs and other leaders see risks and threats.

Lights Out is not an all-or-nothing proposition. But the combination and interplay between technologies remain critical at every stage; technology layers must be streamlined and integrated, from core ERP to domain-specific solutions to robotics and intelligent automation and autonomous business processes—all working in sync to meet the desired outcome.

It's a massive undertaking, so it may be best for finance leaders to proceed in phases. After all, you're only human.

How Lights Out is your finance function now?

CFOs share their hurdles and hopes regarding Lights Out Finance

A recent Deloitte *crunch time* webinar devoted to *Lights Out Finance: New horizons for a future-forward finance function* drew about 6,000 attendees. Transforming back-office finance operations using touchless processes and intelligent automation may seem abstract. But CFOs who responded to poll questions revealed that they already have many of the resources necessary to become fully digital, meaning they may have to do some fine-tuning before flipping the switch.

In a question meant to gauge what proportion of attendees have taken preliminary steps toward Lights Out Finance, a plurality, 26.6%, reported that they had standardized finance processes. A significant number, 20.5%, said they had implemented RPA/automation.

What steps (if any) has your finance organization taken in the past year to alter, reduce, or streamline finance operations? (Select all that apply)		
a.	Implemented RPA/automation	20.5%
b.	Underwent ERP transformation	17.1%
c.	Improved/standardized finance processes	26.6%
d.	Restructured finance service delivery models	3.8%
e.	Upskilled/reskilled finance resources	5.5%
f.	Don’t know/not applicable	26.4%

In sharing their top goal for Lights Out Finance, attendees chose some of the approach’s most strategic advantages, with just 15.6% of them perceiving its primary goal as enabling their companies to realize cost-reduction opportunities. In terms of how Lights Out Finance will affect finance professionals, nearly one-quarter of respondents, 24.8%, expect them to focus on higher-value strategic activities.

What is the #1 benefit you hope to achieve by going Lights Out?		
a.	Cost reduction opportunities	15.6%
b.	Freeing up finance talent to focus on more strategic activities	24.8%
c.	Improved analytics and access to data	19.4%
d.	Greater flexibility in finance operating model	8.3%
e.	Digitization that can flex/scale over time	5.7%
f.	Don't know/not applicable	26.3%

Regarding what aspect of the journey they would prioritize in their implementation of Lights Out Finance, about one-third of respondents chose “standardize and automate processes—focus on continual improvement and minimize manual processes.” These goals match well with what the Lights Out method aims to achieve. (Business leaders may understand the Lights Out concept much better than they realize.)

What aspect of your Lights Out journey would you prioritize today?		
a.	Standardize and automate processes—focus on continuous improvement and minimize manual processes	33.1%
b.	Optimize your digital toolset—simplify system architecture and enhance data integrity/reliability	18.6%
c.	Develop digital competency—upskill/reskill talent and assess delivery model	14%
d.	Don’t know/not applicable	34.3%

In terms of the hurdles CFOs and their teams face in implementing a Lights Out strategy, between 14% and 19% are clustered around four different challenges. Concern over having "a narrow focus on automating tasks" rang true with just 6.2% of respondents—perhaps because they have already faced that challenge.

What do you believe your largest challenge is to going Lights Out?		
a.	Complex and siloed technology landscape	19.0%
b.	Disparate processes and lack of ownership	15.4%
c.	Challenges in measuring and proving business value	14.3%
d.	Availability/capability of talent	16.0%
e.	Narrow focus on automating tasks	6.2%
f.	Don't know/not applicable	29.0%

It's also worth mentioning that "don't know/not applicable" ranked at, or near, the top of all four poll questions. That response may reflect that business leaders are so unfamiliar with the strategies and actions required to implement Lights Out Finance—autonomous is different from automated, after all—that they aren't sure where their companies are positioned on their modernization journey.

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