
# Deloitte M&A Views podcast:
## Finding value in financial process automation

**Rob:** Previously, we talked through some of the ways that changing technologies are transforming the finance M&A deal life cycle and some of the implications for deal managers.

Today, we want to move beyond the early stages of a deal and discuss some of the most significant opportunities to drive value for finance and the technologies that are enabling them.

Eric and Dean, welcome back. It's nice to have you on the podcast again. Previously, we talked through some of the ways that changing technologies are transforming the finance M&A deal life cycle, and some of the implications for deal managers today. I think we want to move beyond the early stages of a deal and discuss some of the more significant opportunities to drive value for finance and the technologies that are going to enable them.

Let me start with Dean. For a given transaction, many people feel that the rubber doesn't really hit the road from a value recognition or capabilities development standpoint until you begin executing on day two or in that transformation period of your portion of your roadmap. For those of us who aren't living through this and thinking about these kinds of things every day the way you are, what are the big value- and capability-driving opportunities for finance?

**Dean Hobbs:** Thanks, Rob. Understanding the range of options available is essential to developing a roadmap, one that's achievable and practical for modernizing a finance function. Important to note is that there's a really conspicuous absence of a silver bullet technology in today's world of finance.

A modernized finance function requires a host of tools and technologies that work together in concert with also redesigned processes, as well as centralized and automated processes, plus an upskilled team of finance colleagues. We see the most significant opportunity for any finance organization today as a modernized technology architecture that strips out much, if not really all, of the data gathering and data merging exercises. For example, the vision and promise over the modern ERP system.

**Rob:** Can you go into a bit more detail on that?

**Dean Hobbs:** Sure. A few things come to mind in this area. The first is the idea of a finance factory. And this is about the transaction processing the finance and accounting departments typically serve. And it's driving toward the vision of lights-out or touchless finance and accounting.

Second is the reporting and forecasting function that finance typically serves, but applying this to a digital world. So, for example, automation in the area of data gathering and reconciliation that the typical FP&A shop has had to deal with for decades. Things like advanced analytics that more quickly surface the insights that can influence performance, and machine learning on those patterns and data facts—all of that working together in concert.

A third example might be enterprise service delivery and all of the considerations related to the operating model and what work moves where. So, it's things like moving the traditional transactional process work, as well as things that have been held close to the business in the past, like reporting and analytics. And doing that in a way that builds capability, builds talent development paths, and takes advantage of efficiency of visibility to the data in that modern core that we talked about just a second ago.

**Rob:** All right. Eric, for an organization that has moved beyond day one and it has decided it makes sense to begin the journey of modernizing finance, did these added technologies make it harder or make it more complex to transact in the future?

**Eric Capron:** Rob, that's a great question, but in fact it is generally quite the opposite. More automation, more standardization, and greater analytical capabilities in your finance function built around that modernized technology architecture actually makes doing deals and supporting transactions in the future a lot easier. Take, for example, supporting, modeling, and building scenarios around potential deals. Obviously, with better tools, better technology, better access to data, you can certainly do that a lot more easily and be much more responsive when you're evaluating targets or thinking about deals you want to do.

Another example would certainly be around providing data for due diligence to a potential buyer. Historically, finance resources and finance team members have had to sift through all of that with Excel, PivotTables, VLOOKUPS, and a lot of pain, but certainly if you had more sophisticated technology in place to support your finance functions, getting that more granular detail to support a potential buyer's analysis of an asset you're trying to sell certainly becomes a lot more easy.

The other thing is, if you've done what Dean has talked about and moved to more of a finance factory, you've moved to more standardized service delivery around your finance processes, you certainly get to a place where having those standard processes in place become either easier to plug into as you're integrating something in, or easier to tease apart if you're separating something.

This is especially true when you're dealing with things that really aren't all that core to the heart of the business, and really don't need to be all that differentiated as you're integrating something in. And things like that might include time and expense, payroll, the accounts payable, things that really should be pretty common, irrespective of the kind of business you are acquiring or the kind of business that you're trying to stand up. And then last but not least, in terms of examples of where this modern technology really helps you out, is particularly when you're acquiring a company and you are able to scale and absorb the transactions from the acquired company without needing extra people and without having to accommodate lots of extra exceptions.

And those are just a few examples, but really, making these investments to transform not only helps the finance function serve the business, but it certainly helps with doing deals on a go-forward basis.

**Rob:** Okay. Thanks, Eric. That makes sense. Are there any more specific considerations or risks that teams should watch out for?

**Eric Capron:** For someone who's on this journey, if they really are moving towards a simpler, easier to navigate finance systems landscape, their own systems will make the process of transacting easier than it ever has been for them in the past. So there really is no harm in modernizing your finance function. It will simply have benefits to how you drive the overall deal cycle.

There is, however, one thing you'll want to think about and monitor when management teams go after targets that have a lot of bespoke or custom finance activities. And in situations like these you'll want to push back a little bit when or if the target's finance processes or systems really don't fit well in your finance factory processes and will require heavy exception processing to integrate and combine.

Of course this doesn't mean you shouldn't do the deal. It just means using your standard integration blueprinting efforts, which happens on most day one integration planning exercises, to think through where you can standardize, where you can simplify data, and where you can really fit into the modern finance technology footprint that you've built, rather than just taking what you get from the acquired company.

**Rob:** Okay, Eric. Thanks. Those are good points. Let me turn to Dean to sum up here. How would you describe the finance organization that you're looking for?

**Dean Hobbs:** So, what hasn't changed is that finance still has really two main accountabilities: one, report the facts; and, two, help establish direction for the enterprise.

What has changed is that the traditional ways of working along those two responsibilities don't scale, and this is particularly true in the environment of a company that's growing or resetting its landscape by using an M&A deal cycle.

So you want finance to be a dynamic capability. Teams that aren't just keeping score or reporting the facts, but also being a trusted partner to the business and a driver of insights. This is best done by bringing to life a modernized finance function. So we talked a little bit about the problem of scale.

And one of the things that we're seeing companies take advantage of in an M&A deal cycle is really working on their service delivery, taking advantage of the opportunity to align the capacity that finance invests, and therefore the [inaudible 00:15:07] that it incurs with the growth and performance outcomes of the business that it can influence.

So, for example, Eric talked earlier about differentiated service models and really being clear about where your work, if provided on a standard basis, across legacy companies or regions or business units or operating segments, where that's going to add value, and in what areas it's not going to add value. And just being really clear that you want to invest disproportionately in those areas where you can influence operating results. The M&A deal cycle provides a really great opportunity to get clarity on that service delivery model and really rationalize and refine it.

Additionally, the tools for insight generation and communicating those insights need to be faster. They need to be intuitive. They need to be easier to use, and they don't need to demand that FP&A professionals and business finance, business partners, have this profound skill in wrangling and manipulating data and reconciling it.

So, we find that success is about moving the insights and forecasting platforms out of legacy tools, out of things like Excel, and really into a modernized architecture that allows you to do anything. The issue with that model of using Excel as the management reporting and insights platform isn't so much that it's inadequate, it's that it has the wrong end point. The end point isn't just telling the truth in a way that's easy to read and easy to attach to an email. The end point is actually assigning accountability and influencing outcomes.

**Eric Capron:** Yeah, that's exactly right, Dean. I mean, even if you've managed to figure out how to get that detail and communicate some set of facts to the CFO, you're ultimately wanting to drive a decision or an intervention and be able to communicate that message to sales, for example, that says, "Hey, we're forecasted to miss plan. Please take X action." And that's really what the goal of a modernized finance platform and standardized processes and advanced analytics are really designed to do. But above and beyond the mastery of any specific technology or capability, real best in breed finance organizations today have one thing in common. They embraced the notion of continuous change and improvement.

So, the question becomes, how do we meet the needs of the business and get it the information it needs in a scalable way and without excess cost? That becomes the question that needs to be re-asked every year in the context of the broader strategic direction of the company. And the only way to do more with less is to standardize, centralize, and work to automate end-to-end processes where possible, and particularly when you're thinking through a deal and integrating in a business that's different than your current one. If you're able to do that and get things integrated, get standardized processes in place, you can kick off a virtual cycle that frees up your finance talent to focus on analytics, decision-making and further uncovering margin, and ultimately helping you make better decisions on M&A deals, market expansions, or whatever your business is trying to do.

**Dean Hobbs:** It's true. There's a lot to consider, and you could spend a lot of time admiring that problem of thinking through the perfect M&A technology path and what that looks like. But the reality is that things change. Other transactions come along. The nature of the deal shifts over time and service delivery centers shift. Everyone's crystal ball changes. The best thing a management team can do to get started is to set very clear goals for the type of organization that they're looking to enable. This way, as roadmaps change, and they certainly will, and as organizational needs evolve, and they certainly will. There is a clear sense of shared purpose.

**Rob:** That's good. Eric and Dean, I want to thank you so much for your time today. It was great having you on.

**Dean Hobbs:** Thanks, Rob. Great to be with you. Looking forward to next time.


## Learn more

- Visit the M&A Views podcast library
- Explore our M&A Hot Takes series for additional insights
- Join the conversation on Twitter @DeloitteMnA