Finance in a Digital World
Technology as a Partner, Not a Threat
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The world of government financial management continues to evolve. Back-office functions and CFOs are gaining greater responsibility yet receiving fewer dollars than in prior years to achieve their goals. The shift to digital, often seen as unwelcome interference with the status quo, is changing not only our personal lives, but also the way we work. Sometimes referred to as “disruptors,” these innovations are radically altering the landscape of financial management. Consequently, it is imperative to anticipate how government financial management will look next year — or even five years from now.

The Shift to Digital makes room for growth

No one disputes that the digital age is upon us. Process robotics, cognitive machine learning and artificial intelligence (AI) are becoming an everyday part of life. Large and complex IT-focused solutions are being replaced by tactical point solutions that quickly address gaps and provide faster results. Rather than fear modifications demanded by this shift to digital, government financial management organizations must be poised to welcome the opportunity, because it brings together forces of disruptive technology, innovation, data and people to elevate and differentiate finance capabilities.

Do we call this an opportunity? Yes, but it doesn’t have to be a daunting one.

In the digital finance environment, all forces come together in a cohesive, convergent ecosystem of sorts, one which requires a strong vision to conceive, substantial skills to execute, and great efforts to sustain. One question at hand is how digital technology can become a catalyst for positive change across the enterprise. Another is how leaders can manage concerns over cybersecurity and changes in the existing workforce to allow technologies to become a partner to the organization rather than a threat.

Finance Leaders as Strategists

Finance leaders who exploit digital resources can operate as strategists for the organization by tying finance and IT-specific funding to discrete mission activities and outcomes. No longer solely focused on fiduciary responsibility, finance officers can process more information more efficiently and transform that information into deeper insights faster than ever. Essentially, the finance office has become a finance factory, offering bespoke financial and strategic reporting and services, such as those listed below, to both internal and external customers. Compare your organization to one with these capabilities:

**Touchless Transactions and Automation:**

Government financial management is shifting from heavily manual, transactional processes to system design, configuration and maintenance. Finance will excel in translating business practices and governance models into automated processes. Real-time metrics and monitoring will become indispensable. Robotic process automation (RPA) is already “taking the robot out of the human” at dozens of government agencies. Automation of manual processes frees up more time for proactive and strategic initiatives and leads to better decision-making. Before long, RPA may not be a “new technology” in government; it will likely be an expectation.

**Example of RPA:**

Automating an end-to-end transaction, such as invoice processing, creating a purchasing document, or creating a travel authorization.

**Self-Services and Intelligent Chat:**

Over time, automated “smart-agents” learn which kinds of business information an individual will need and deliver that information proactively. Cognitive bots and intelligent chat hold great potential to change the way a finance organization serves its customer base. Sophisticated bots can answer questions faster, providing more reliable information in a standardized format in a matter of seconds. Because these intelligent agents learn with every transaction they perform, their knowledge base continually grows, allowing them to take on more and more routine and mundane tasks for the organization and, potentially, increase customer satisfaction. Imagine a future in which customers would rather talk to the bot than a human!

**Example of Intelligent Chat:**

An automated help desk operator answers questions based on predetermined information. Initially, it directs more complex questions to a human, but it continuously learns how to answer the more complex questions in future interactions.

**Shared Services:**

Shared services is a long-term trend in government. The concept of consolidating services for more standardized results with fewer resources across a large landscape has proven to work in both the public and private sectors. But standing up a shared services organization can take years, especially with the training required and the impact on the workforce. Enter digital technologies. Bots, advanced analytics and machine learning can coalesce manual transactions in a matter of weeks, not months or years. Ongoing operations can be managed from a small room with a server and a laptop, not a large cubicle farm with trained staff members. In addition, digital technologies can make virtual consolidation a reality, ultimately reducing the time and complexity of a physical consolidation.

By Robert Grabowski; Brian Siegel; Christie Johnson; and Erin Cunningham
Example of Shared Services in the Digital Age:
Several bots, each with dozens of automations, sit on a single server to execute financial transactions 24/7 for a large department or agency, ultimately benefitting field locations across the country and, possibly, the globe.

Data Standardization and the Distributed Ledger: As the future unfolds, data in spreadsheets will likely be replaced by visually rich information that is intuitively accessible and easy to use. The establishment of sustainable protocols for data management, along with the inclusion of organizational roles focused on data quality and integration, can allow entities to more quickly and confidently deliver critical business analyses. Moreover, the distributed ledger concept (e.g., blockchain) can bring easier access to and more confidence in data, asset tracking and resource management. It will likely become the role of finance to envision, develop and support implementation of technical solutions to enable data-driven results.

Example of Blockchain: A payment solution using this technology connects agencies, vendors and payment providers and allows instant, on-demand settlement of accounts.
Perhaps you have already attended presentations or discussions on one (or several) of these capabilities. Did you also assume their integration in your workplace was five, 10 or even 15 years in the future? To the contrary, these digital concepts are far from science fiction. Dozens of government financial management organizations have already begun this journey through process robotics, intelligent chat, blockchain and more. If you haven’t already, it is time to embrace these technologies.

Recognize New Customer Expectations
Historically focused on the day-to-day challenges of finance, many CFOs and finance leaders have had little time to envision the efficiencies and business value that emerging digital finance technologies could deliver. But business needs are growing, and the pace of innovation is accelerating. In response, finance leaders must plan for change. Providing financial data and summarization has worked to date, but the expectations of finance customers has changed. Digital finance and automation can sharpen focus on business insights and customer service in a finance operation, providing customers with comprehensive, data-driven analyses to support decision-making. But it doesn’t stop with adopting new technologies. Finance leaders must embrace their mission and engage with customers to recognize specific business needs throughout the organization. Agility will become a prized attribute as finance organizations deliver differentiated service levels throughout the business. As a result, the synergy of technology adoption with customer service will fundamentally shift the role of finance to an agile, proactive operation.

The Changing Workforce
Such fundamental shifts in the way government financial management conducts business, likewise, will dictate commensurate adjustments in the way the workforce is built, trained and coordinated. In the short-term, as finance broadens self-service capabilities, digital assistants will fill in where analysts once operated. The technology will serve both practitioner and customer to make information easier to acquire and understand. As a result, the worth of intuitive, visual output and connectivity will be elevated throughout the organization. The workforce, necessarily, will shift to make room for the technology, but workers need not fear replacement by it. Instead, personnel can expect to be retained and redeployed if they expand their skillsets and contribute data-driven analytical insights. Repetitive, rules-based financial analysis will largely be automated in the long-term, turning the finance officer toward business-facing analysis and exception-based investigations. Powerful self-service tools will make it easier to assess data and apply advanced analytics techniques. In addition, digital assistants and cognitive solutions will expand the reach of the workforce. When basic and repetitive tasks are offloaded from the overflowing work plates of human staffers, these people can concentrate on value-added, strategic activities.

Key to the Future: Technical Literacy and Collaboration
For this new, technologically engaged workforce to zero in on analysis, the organization must maintain accurate, dependable data. Routine forecasts completed by digital assistants and automation must be generated through algorithms that are constantly evaluated by small resource pools of financial auditors, data scientists, storytellers, and cognitive psychologists. The processes and procedures of existing internal controls will improve and expand as automation delivers the consistency and data accuracy required to maintain them. Technical literacy, plus a customer service mindset and professional collaboration skills, will be essential to the entire financial workforce as core teams develop standard and reliable reporting requirements, evaluate anomalies and solve problems together that no individual could solve alone. Organizations will be able to build financial command centers in which small groups of key players monitor the full array of processes with smart dashboards. Alongside these core groups for customer support, expanded cybersecurity teams will be deployed to anticipate and mitigate threats while fortifying data security protocols. Undoubtedly, as the workforce changes at a rapid pace, government financial management is not immune to these adaptations. Yet circumstances at hand create interesting possibilities for finance leaders and financial organizations, because recent digital tools extend opportunity, not threat. In fact, this time of transformation introduces a chance for the current workforce to gain the latest skills and nurture their capabilities. Plus, now is the perfect time for organizations to infuse energy into the workspace and attract new talent that might not otherwise have considered careers in government.

IT and Cybersecurity Concerns
Data breaches and cyberattacks, unfortunately, have become part of daily life. It is no longer a question of will an attack occur, but rather when it will occur and whether the organization is ready to respond appropriately. But such incidents are not reasons to reject the digital age. In fact, digital financial management capabilities, such as process automation,
can help reduce the risk of cybersecurity breaches through strict controls to recognize improper requests and validate requestor application or data access. Many organizations spend increasingly more time on cybersecurity risk management. Today’s CFO already must partner with the Chief Information Officer, Chief Information Security Officer, and Chief Risk Officer (for those organizations that have one) as new digital capabilities are introduced. Because cybersecurity must span both the technical and business sides of an organization to fully grasp the risk portfolio, thorough reviews must take place. Technologies new to an organization, such as process robotics, blockchain, and intelligent chat, require appropriate scrutiny to ensure they can withstand the rigors of the cybersecurity risk management program. Likewise, early and frequent inspection of IT and the routine assessment of the risk portfolio are critical to the success of a digital transformation.

Closing the Gap

Because each government financial management entity is different, each face organization-specific requirements, activities, approval workflows and more. The concepts presented here for making use of new technologies while mitigating inherent vulnerabilities barely scratch the surface of the future landscape, when all organizations connect with the digital world. So, important questions beg attention:

- Is your organization ready?
- Have you already started?
- If not, why?
- If not, when?

No matter where your organization stands along the digital journey, take time to assess your surroundings:

01. Know where you are. Take a realistic valuation of where the organization is on the path toward digital financial management. Take time to clarify organizational vision and determine how best to operationalize. Include a workforce assessment to understand capabilities already in-house and agree on capabilities needed moving forward. Be honest. Identify gaps and begin to craft the future. Most importantly, don’t impose limits!

02. Determine where to go. Which technologies are being considered? Which processes need to be addressed? Will additional skillsets and talent be needed to accomplish the goal? Put it on paper, begin to socialize it and get the IT department involved.

03. Start small. Pilots and proof of concepts can be your best friends. Look for simple processes to improve and free trial licenses of software. Consider using existing contract vehicles for support.

04. Scale appropriately. Create a plan to implement incrementally. While you must be bold in reaching for goals, focus on the impact of change on the organization, and don’t jump from a pilot to an enterprise-wide solution.

Digital finance is no longer a theory. It is here, and it is now. Forget about getting up to speed next year or even five years from now. Organizations must act immediately to identify and partner with the right people and technologies to bear the inevitable disruptions ahead. Government financial leaders must make the most of these changes today to advance finance capabilities in the near future.

Endnotes

1. Cognitive/Machine Learning is automation that performs or augments tasks, helps better inform decisions, and accomplishes objectives that have traditionally required human intelligence, such as planning, reasoning from partial or uncertain information, and learning.

2. Intelligent Chat, or “chatbot,” is a technology used to replace or assist live agents in call centers. This technology uses natural language processing and machine learning to parse messages, collect relevant parameters from words and sentences, identify actions based on those words and communicate the result to a customer or live agent.

Robert Grabowski is a senior manager with Deloitte Consulting’s enterprise operations practice, specializing in digital transformations for CFOs and finance executives. With more than 18 years’ experience applying financial management capabilities across the public sector, including development and deployment of finance operating models and technologies, he has supported wide-ranging transformative efforts, from ERP system implementations, analytics and reporting/dashboard solutions to process automation and cognitive capabilities.

Brian Siegel is a principal in Deloitte Consulting’s federal consulting practice with more than 20 years’ experience in both the public and private sectors. He leads Deloitte’s Finance & Enterprise Performance Offering for the Government & Public Services Industry, spearheading projects for technological change and disruption, process improvement, enterprise transformation, and shared services at all levels of government.

Christie Johnson is a principal in Deloitte’s government and public services practice with more than 15 years’ experience in the public and private sectors. She advises finance executives on strategic choices to improve the finance function and elevate the CFO’s role to resource advisor for an enterprise. She has led projects addressing technological change, finance customer experience and engagement, ERP implementations, and changing service delivery models. She also serves as a market offering leader for finance strategy and transformation.

Erin Cunningham is a senior consultant in Deloitte Consulting’s enterprise operations practice, focused on federal financial RPA. With nearly a decade of professional experience, she has handled data center migration and IT Showback; Government Purchase Card program management, advisory support and business process improvement; and user fee studies, activity-based costing and cost benchmarking.