

Technology-Enabled Finance Transformation

Introduction

The finance function has always been at the very core of the organization, but now it is evolving to perform a more strategic role and engage directly with more of the organization's workflows. This evolution is often driven by regulatory pressures, persistent economic uncertainty, and increasingly rapid rates of business change. In these rapidly changing times, a new array of stakeholders requires support, advice, and access to finance to support their decision making.

Today's CFO plays two roles. They are both the head of the finance function and a strategic business leader. The CFO can often add the most value in their business leader role. However, running the finance function can't be compromised and can be highly demanding, especially as regulatory pressures increase. Historically, the CFO has had to focus on the core operations of the finance function, leaving little time for broader business leadership. Improvements in financial technology are now enabling more automation and greater trust in financial data and reducing the time it takes to execute many of the function's fundamental processes. These improvements in efficiency create the headroom for the CFO to focus on driving the strategic priorities of the business. This could include ensuring this business has access to a rich data foundation, moving to a continuous close, or enabling new recurring revenue models.

Technology has been a major factor in accelerating the rate of business change, putting pressure on finance functions, particularly those working with outdated systems and processes. However, a new generation of powerful financial applications is emerging that offers an array of solutions to support the finance function as it transforms to meet the needs of the modern enterprise. These solutions are helping finance act faster through automation and real-time processing, perform better through better data management and centralized control, and reduce costs through cloud technology.

An IDC survey in 2022 found that the list of CFO technology investment priorities was topped by the need for planning and performance management software and tax management technologies. Increasingly, CFOs are looking to SaaS applications for solutions, even if their general ledger is likely to reside in an on-premises application for some time. Cloud technology has enabled the development of financial applications that offer high levels of automation, powerful data management, and an excellent user experience, while capitalizing on the economic advantages of the cloud to minimize the total cost of ownership.

AT A GLANCE

KEY STATS

- » 38% of European CFOs ranked financial planning and performance management software as their #1 technology investment priority.
- » Communicating financial and business metrics to stakeholders effectively is the #1 pain point, with 36% of CFOs saying this is the case.

WHAT'S IMPORTANT

- A digital finance transformation can help the CFO and their team more fully step into the role of strategic business leader and transformation enabler.
- A new set of modular, cloud-native finance applications is addressing CFO pain points around data centralization, automation, and agility.

CFO Priorities

Driving Investment

The CFO remains a key figure in protecting the business from risk but must now become more active in guiding business investments. To identify the best areas for investment and ensure those investments pay off, finance teams need access to the right data and the right modelling tools before, during, and after the investment occurs.

Enabling Product Digitalization

Many organizations had already kicked off digital transformations before the pandemic hit, but lockdowns forced businesses to shift to digital channels almost overnight. For some businesses this was more than a shift to ecommerce; it meant a change in business model. The most popular target business model is the subscription, which provides more predictable recurring revenues. Many businesses have thrived following these shifts, but the finance teams supporting them may have catching up to do. Finance teams must be able to support the needs of a digital-first business. For example, they must be able to handle the recurring billing and revenue management associated with subscriptions or quickly pivot to account for new product bundles or offers.

Driving Better Business Outcomes

In a challenging business environment, business leaders need strategic advice and support from their finance colleagues as they seek to improve performance and manage crises. This advice must be delivered at the pace of the business, based on insights backed by real-time data. With the right data, tools, and skills the finance function can become even more valuable to the business by advising leaders on how to drive business performance and overcome strategic challenges. The business outcomes finance teams will be driving won't be purely financial, many business units require support in measuring and reporting new metrics, such as those related to sustainability.

Streamlining Compliance

Complying with regulations is of course non-negotiable, but finance teams need to find ways of streamlining compliance-related processes to free up valuable resources. Utilizing software designed for today's compliance landscape is the minimum requirement. Some firms will go further and seek support from vendors that can deliver "compliance-as-a-service."

The only way a finance function can realistically meet these challenges is with a set of applications designed for the needs of the modern finance function that can capitalize on the latest technological advances.

Benefits

The direct benefits of a modern application suite in the finance function can be distilled down to three key points. Firstly, there is the power of having a "single version of the truth." A single, comprehensive, trusted dataset that reflects the status of the business in near real time

eliminates the need to periodically combine data from various parts of the business to get a view that is outdated as soon as it's published. This represents an enormous benefit in labor savings alone.

Secondly, access to a comprehensive dataset enables a new level of business insight. Conclusions can be drawn from these rich, highly granular datasets that could not be reached using the fragmented data of the past. This has a direct impact on the speed and accuracy of decision making and can consistently boost business performance.

Lastly, tight integration among financial applications and with other enterprise applications enables end-to-end process digitalization. Within the finance function this improves accuracy, enables automation, and allows for greater transparency. Finance teams are more efficient and able to provide the wider business with updated data and reporting.

Trends

The latest generation of financial applications can capitalize on new technology developments. The finance function is perfectly placed to benefit from developments in data science, artificial intelligence, and automation. Some of the technologies key to the future of the finance function are:

Predictive Analytics

The availability of high-quality data flows from across the organization can be used to power algorithms to predict the future state of the business with a high level of accuracy. Finance functions are applying predictive analytics to forecast revenues, cash positions, and financial risks. Predictive analytics can also incorporate machine learning to help tackle more complex predictions such as identifying customers who are at risk of becoming unable to pay. Finance managers can also combine forecast data with other variables in financial modeling tools to model future scenarios. This can be a powerful tool when assessing the best way to respond to a risk, or the possible outcomes of an investment or business model shift. Improvements in technology are helping the finance function shift focus from the analysis of past performance towards the influencing of future performance.

Intelligent Automation

Greater automation accelerates process cycle times, improves accuracy, and relieves staff of mundane tasks to improve customer and employee experience. Improvements in finance automation can often be attributed to better integration and process redesign, but advancements in financial applications themselves are also pushing automation to new levels. One-way financial applications can increase automation levels by integrating artificial intelligence to reduce the need for human intervention where some level of judgement or interpretation is required. Processes in areas such as accounts payable can be completely transformed by technologies such as optical character recognition and intelligent data extraction and classification. Many of these technologies have been available for many years, but in 2023 businesses are bringing these technologies together and completely removing human intervention from many processes.

Self Service

Everyone in an organization needs to interact with financial processes from time to time. This can be as simple as filing expenses or as involved as working on an acquisition or divestment. However, the number of stakeholders who need access to finance data or processes in the course of their workday is increasing. Making financial processes and data available — in a controlled and secure manner — to all those who can benefit is good for business performance and reduces the burden on finance staff.

An intuitive user experience is key to helping professionals across a business to self serve. Systems must be intuitive enough that staff can utilize them with little or no training, and do so at the moment they need to, wherever they are. Encouraging staff to interact directly with finance data helps maintain a single version of the truth, as they will have less need to process data elsewhere — spreadsheets, for example.

Finance Transformation

Finance functions have had to evolve over the years and the arrival of new regulations has often been a common trigger for change. Each new wave of requirements has put more pressure on aging systems and processes. Technologically savvy CFOs recognize that a transformation provides the opportunity to remove legacy challenges, boost the productivity of the function, and enable finance to take on a more impactful role. However, this will mean moving from a collection of decades-old applications to a cloud platform supporting an integrated array of intelligent applications — a seismic shift that will require completely new ways of working.

Building the Case for Change

While the pressures to modernize are high, building the case for change and executing a transformation program is still a major undertaking. CFOs must find a way to increase their function's capabilities while reducing cost and limiting risk. But the significant improvements in efficiency enabled by the latest software and the high cost of doing nothing mean that for businesses with outdated financial applications, the business case is likely to be strong.

The process of transformation begins with seeking the right business sponsorship. Given the operationally critical role of finance, the number of stakeholders required to support a transformation is high. The business case owner will need to understand the key pain points of each stakeholder and be able to prioritize these within the transformation road map. Being able to build a road map that can demonstrate benefits early in the process will build stakeholder confidence and help the organization remain focused on achieving additional business outcomes.

While there is a consensus on the future role of finance and the types of technology it will require, there are several ways to approach the technology transformation itself. The fact that organizations need to strike these balances means that few organizations take a "rip and replace" approach to modernizing their financial applications.

Instead, many organizations choose to undertake a step-by-step modernization of their financial applications — one that frontloads the benefits they consider a priority. IDC has identified three transformation strategies that function as steppingstones on the journey towards a modern suite of financial applications.

Innovate Around the Core

This strategy involves leaving the legacy core financial system as is and supercharging it through integrations with more modern applications. This approach can have a rapid impact without the costs and risks of modernizing the core financial applications. Often the new applications will be cloud-based and the legacy systems will be on premises, giving the client a hybrid architecture. The new applications may also break down business silos by providing consolidated views from multiple systems. Potential new applications could include revenue management tools, accounts payable automation tools, or calculation engines.

A downside of this approach is that at some point the core will need to be modernized and putting this off in the short term could make it more complex when the moment comes.

Peel the Onion

When an organization must modernize both business processes and the technology on which it runs, they may find they can avoid replacing their whole financial suite in one go if the deficiencies are concentrated in one part of the business. It could be that accounts receivable is a problem across the business and this is a transformation priority. A viable strategy for some businesses might be to standardize the businesses' accounts receivable processes and migrate them to a new application on modern infrastructure. The new application will need to be integrated with the legacy applications, but overall application complexity can still be reduced. This transformation strategy can be used to replace an entire financial application suite step by step, leaving no legacy behind. Some steps will bring fewer benefits and greater costs, but these can be tackled later in the transformation once previous steps have begun to pay off.

Kill the Datacenter

The third strategy is to tackle infrastructure first by "lifting and shifting" the organization's financial applications to a cloud platform. This would make sense if existing datacenter hardware was reaching end of life or if it has already been decided that the organization's future financial applications will be hosted in the cloud directly rather than via a SaaS provider. The major cloud providers have developed a wide array of tooling to automate the migration of applications and data to their platforms, reducing the cost and risk of this technical migration. Once all applications are running on the public cloud, many believe there are advantages to be had in further application modernization due to the many capabilities the major cloud providers have built into their platforms. The disadvantage of this approach is that few benefits are delivered to finance users and those they support — this has to come later.

CFOs, supported by their technical teams, must develop a transformation road map that will lead to the creation of a future platform for finance, while taking the right steps in the right order. The steps must be sequenced to produce the optimum phasing of business benefits, costs, and risks. Those that have undertaken such transformations say that this planning must involve working through all of finance's operations process by process, identifying and prioritizing technology use cases.

Aptitude Software Collaborates With Microsoft to Integrate Fynapse Platform With Dynamics 365 Finance

Aptitude brings its finance domain experience and enterprise accounting hub technology to Microsoft Dynamics 365 Finance with the integration of Fynapse, Aptitude's fully automated finance management platform. Aptitude's accounting hub capabilities will provide Dynamics 365 Finance customers with the ability to further increase efficiencies, reduce costs and drive business insights. The solution will be available as a deeply integrated SaaS offering on Microsoft Azure.

The combination of Dynamics 365 Finance and Aptitude Fynapse, which includes Accounting Engine and Subledger modules, will provide finance departments in both enterprise and mid-size organizations, the number one thing they seek — finance automation. In a recent survey of over 1,000 finance professionals, global consulting firm, Protiviti, found that CFO and VP-level respondents cited automation as their number one priority to address over the next 12 months.

The end-to-end offering provides the completeness of an integrated solution with the increased value that comes with using IP-rich technology. The integration will provide Aptitude and Microsoft clients with the ability to unify financial data from various systems to increase scalability, gain the agility to rapidly adopt new compliance regulations, deliver better business insights and reduce the cost of finance. Finance teams can focus on business strategy versus managing time-intensive data consolidation, policy management and transaction processing.

Jeremy Suddards, CEO, Aptitude Software comments, "We are confident that best-of-breed technologies and composable architectures are the future. This agreement with Microsoft gives us the ability to expand the capabilities we offer our clients while providing a real choice to Finance functions."

Georg Glantschnig, VP, Dynamics 365 Finance at Microsoft states, "The technology integration with Aptitude will provide our Microsoft Dynamics 365 Finance clients with a consolidated, single source of truth for financial data to accelerate close processes, improve compliance and enhance audit controls. With one cohesive solution, we will turn the complexity of finance digitalization into the opportunity to achieve more with less through more connected financial data, process simplicity and centralized global governance."

The agreement was recently signed, and the integrated solution is available on the Azure Marketplace and Microsoft AppSource sites.

Aptitude Software Vendor Profile

Aptitude Software Group PLC is a provider of finance digitalization solutions that enable finance professionals to strategically guide their global businesses, harness data for decision making and comply with complex regulations. Combining deep finance expertise and IP-rich technology, Aptitude's solutions give finance departments the tools they need to progressively transform and operate better, faster, and at a lower cost.

Aptitude is passionate about the transformative power of technology and is dedicated to helping clients reimagine their business operations. Aptitude believes that every organization has the potential to succeed and is committed to providing the tools and expertise needed to realize that potential.

Aptitude's products address the difficult situation many large businesses find themselves in. Siloed financial data, legacy systems, manual processes and an inability to support the business with real-time data prevents the finance function from assuming the role of strategic change agent.

Aptitude solutions underpin complex global businesses across multiple industries, including Financial Services, Telecommunications, Technology, Media, Publishing and Sports. Headquartered in London, Aptitude Software is an operating company of Aptitude Software Group plc.

Company Strategy

Aptitude has added to their product portfolio through acquisitions that have helped it meet the emerging needs of finance functions. In 2017, Aptitude acquired RevStream, a firm that specialized in the management and automation of revenue processes, including revenue recognition. In 2021, Aptitude acquired MPP Global for £37.1 million. MPP Global's subscription management platform, eSuite, helps businesses streamline their operations, uncover new revenue streams, and achieve sustainable growth. eSuite powers and optimizes the full subscription life cycle process, enabling businesses to increase efficiency and drive success.

In 2022, Aptitude launched Fynapse, a fully automated, modular finance management platform. Fynapse was designed from the ground up with the finance user in mind and utilizing the latest digital technology advancements. Fynapse will help the finance function to be more efficient, highly controlled, and insight driven. It is a cloud-based platform that can connect to external systems via APIs and connectors.

Partnerships are a core aspect of Aptitude's company strategy, and it maintains strong relationships with global advisory partners KPMG, EY, Deloitte, and PWC, and technology partnerships with Microsoft and AWS. Aptitude recently collaborated with Microsoft to integrate its Fynapse platform with Dynamics 365 Finance, providing clients with the ability to increase scalability, unify financial data, and deliver better insights.

Product Strategy

Aptitude products can be divided into two core areas — finance digitalization and subscription management.

Finance Digitalization

Aptitude's finance digitalization portfolio of solutions address CFO business challenges such as the need to automate, centralize accounting rules, comply with regulations, and create a trusted view of finance data to support actionable insights. Finance digitalization solutions include Fynapse, Aptitude Accounting Hub, RevStream, and a series of regulatory compliance and

calculation engines including IFRS 17 Comply, Aptitude Insurance Calculation Engine, Aptitude Lease Accounting Engine, and Aptitude Calculate.

Subscription Management

Aptitude's subscription management platform, eSuite, is a SaaS solution that provides an innovative platform designed to power and optimize the full subscription life cycle process. This allows businesses to drastically reduce OPEX, unlock revenue growth potential, minimize churn, and provide real-time data and insights.

Target Markets

Aptitude typically works with medium and large enterprise organizations in Europe, North America, and the APAC region. Several of Aptitude's products are relevant to particular industries, such as the various compliance engines. As a result, Aptitude's finance digitalization solutions are particularly strong in banking, insurance, technology, media, and telecommunications, while its subscription management platform is geared towards media, publishing, sports, video streaming services (OTT), and consumer retail. Aptitude's target markets are continually expanding due to the extended reach provided by its partner network.

Challenges

- As Aptitude builds out its products it must avoid the temptation to focus on selling the whole product suite as a big bang finance transformation. This would cause Aptitude to lose some of its appeal to customers, who already have many potential vendors of full financial suites.
- The challenge of convincing customers to move their core systems and ledger to the cloud remains, and Aptitude will sometimes face resistance here as every vendor currently does.

Conclusion

Aptitude Software has developed a suite of products that directly address CFO pain points and help chart a path towards finance modernization. This strongly resonates with potential clients that are highly motivated to digitally transform the finance function to manage current and future business changes and keep up with competitors.

Aptitude also has an advantage due to the modular, SaaS nature of its solutions, which can help address the siloed data and application architectures many finance functions are facing. The ability to integrate with legacy systems and other third-party cloud applications supports CFOs who must be pragmatic in the short term but wish to take a step towards fully digitalizing their finance function.

Advice for Aptitude Software

Aptitude Software would benefit from expanding its product set to broaden its appeal beyond its current focus industries. New applications that address the most pressing pain points of a new set of industries will provide a broader base into which the new Fynapse product can be marketed.

Advice for Buyers

Organizations seeking modular applications to power a digitally enabled finance function should consider Aptitude Software's products. There is an opportunity to use applications such as RevStream or Fynapse to spearhead the transformation of the finance function, demonstrating that technology can be quickly applied to address finance pain points. Buyers must always be careful to plot a path forward though, as at some point legacy systems will finally need to be replaced.

MESSAGE FROM THE SPONSOR

Aptitude is a specialist provider of finance digitalization and subscription management solutions that equip organizations to drive efficiency, empower teams, and unlock growth potential. Aptitude is passionate about the transformative power of technology and is dedicated to helping clients reimagine their business operations. Aptitude believes that every organization has the potential to succeed and is committed to providing the tools and expertise needed to realize that potential. Aptitude solutions can be found underpinning complex global businesses across multiple industries, including Financial Services, Telecommunications, Technology, Media, Publishing and Sports. Headquartered in London with regional offices in North America, Poland and Singapore, Aptitude Software is an operating company of Aptitude Software Group plc.

To find out more about how Aptitude Software is helping CFOs transform the office of finance please email info@aptitudesoftware.com or visit www.aptitudesoftware.com.

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Tom Seal is a senior research director in IDC's European enterprise applications team. He has over 20 years' experience as an analyst, consultant, and technology procurement manager. He focuses on the ERP market and the future of the finance and procurement functions. Current research includes investigating the business case for ERP modernization and the economics of cloud technology. In addition, he is part of IDC's Intelligent Business Operations and Augmented Humanity practices. Seal also delivers consulting on the development and commercialization of ERP and financial applications.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets.

With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives.

Founded in 1964, IDC is a wholly-owned subsidiary of International Data Group (IDG, Inc.), the world's leading tech media, data and marketing services company.

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