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UPGRADE YOUR FINANCIAL EFFICIENCY

Upgrading or migrating any business system can feel like a daunting task and that feeling can be emphasised when it's relating to something as fundamentally important as your finance system. But, failing to see past the perceived risks, and using a lack of time and funds as reasonable justifications for inaction, might be preventing your finance department from the benefit of significant time savings. If your finance team is constantly struggling with deadlines, prioritising financial efficiency can enable your team to do much more with fewer resources, less time and less effort.

Recognise The Need

Your team may be over capacity at certain times and groaning under the pressure of generating financial statements or closing a month in reasonable time. Your finance team is likely to be incredibly busy, working hard to compile information, cross referencing purchases, chasing time sheets and doing everything they can as quickly as they can, given the tools they have. Often the easy solution to overcoming capacity problems is to employ more people, and that may be at the recognition and request of your team. This may well be the right solution, but it is certainly a good time to recognise that there are other options worth considering.

Pressure to deliver financial statements to investors or deliver them quicker can also drive the need. You may be seeking investment or looking to satisfy existing investors, who often use the speed of document delivery as a good measure of your management capabilities. It's easy to fall into the trap of working your team longer and harder to make use of the existing systems to complete what's needed now, only to find yourself in the exact same position a month later.

The requirement for more staff or greater efficiencies may also be driven by opportunity. Perhaps you're preparing to embark on new ventures or gearing up to increase exploration in the near future. You may have reached the tipping-point of what a single individual can realistically achieve with your current finance system. You may also

be aware of underlying vulnerabilities, where figures are at the mercy of your team's magic touch, JV billing is produced from a complicated nest of spreadsheets or you might even be outsourcing your entire financial operations to an external team.

And, if your finance team are operating an off-the-shelf finance system or managing your accounts in a spreadsheet-based system, there's a strong argument to suggest that you already have a need, as discussed in a previous article; 'Matching Finance & IT Systems With The Development Phases of Oil & Gas'.

Understand The Risks

The fear of change is often the biggest road block for any implementation of a key business system. Fears are often around change in what is familiar, expense, certainly in terms of a project budget, but almost more critically, in terms of time and resources. Such significant change can be perceived as distracting and disruptive, and as with any project, managing the change from stakeholder buy-in, right down to the inclusion of operational users, can turn the fear of the unknown into an exciting opportunity to improve financial performance, professional development and individual job satisfaction.

It's paramount to set out on any upgrade or implementation project with realistic expectations of what internal resources can achieve. When implementing a new finance system, it's common to overestimate internal skills and resources, resulting in significant impacts on day-to-day operations. It's also important to be inclusive when planning your project, inviting operational staff to share the benefit of their experiences and help shape the approach. This inclusive design process helps to reduce resistance to change.

Your team may have a high level of confidence in your existing finance system that you've been using for years with little complaint regarding the accuracy of the numbers. Staff might not understand the need for change or might perceive

new systems and new processes as high risk. Without proper engagement and training, operational users might attempt to use a new system exactly as they've always used an old system, resulting in your team feeling favour towards the old and a failure to accept the new.

Other perceived risks tend to relate around business continuity; what if the system doesn't work? What if the system doesn't work in time? What if the figures in the financial statements are wrong? What if we don't pay our suppliers on time? What if there are unexpected consequences? With a detailed understanding of the critical risks you can plan your approach to ensure you address each and every one of them throughout the project delivery.

Failing to recognise the need can present the greatest risk of all. Not utilising the latest software or not updating your processes can mean that you might be living with a high level of dependency on key individuals working a manually driven spreadsheet-based system, or even seen as being uncompetitive in the market.

Plan Your Approach

Having recognised a need for greater efficiencies and understood how to overcome the risks, planning your approach will ensure you get the very most out of a new finance system. Learning from your existing processes, understanding what's good and what's not so good, bringing across best practices and retiring those that have previously encumbered your team. Designing any new system requires detailed analysis of your existing processes and a good understanding of how your company might develop in the future. At this stage you need to ensure your system is capable of growth and expansion without the need to start over.

Understand how other business functions will be expected to interact with your finance system and how your system might affect those business functions? Time recording might feed into partner billing, procurement may be actioned against budgets/AFEs and spend control or KPI reporting might result in more significant operational change. Business continuity is obviously a critical risk that needs to be ensured throughout any systems implementation. For example, your operational staff in the field and your procurement team will still need to buy effectively, both before, during and after the completion of an implementation, so put processes in place.

It's worth evaluating your IT to ensure it is capable of meeting the requirements of a new system. It's easy to make the assumption that you've invested in good kit, everything is fine now and therefore, should be fine in the future. It's likely that a new system will capitalise on more advanced

technologies, perhaps utilising more web technologies, mobile devices and there might be additional complexities relating to data security or access from in the field.

A good system will have a central core that can be expanded by integrating additional functionality as required and data should all come from a single source. Everyone will be accessing records from the exact same original dataset, but not everyone requires full visibility of everything. Decide who needs visibility of what; CFOs will likely require management reports, access to cash flow statements and statutory accounts. Financial Controllers will want sight of adherence to budgets and controls, reconciliations and aging suppliers & customers. Accounts Payable will need visibility of invoicing, payments and supplier accounts, including terms, goods received notes and purchase orders. A central core facilitates everyone's access to exactly what they need, when they need it.

If you have a legacy system that you've been diligently developing over the years, you may want to migrate your financial data in order to report against previous years' figures, but you might not need to migrate everything all at once. To enable a new finance system to become operational in the shortest time, it's often feasible to migrate just the balances in the first instance and then back-fill the transactional detail when you have more availability. Decide what you really want to report upon currently and historically, and what level of detail you'll require in the future. Understand how much of your data really needs to be migrated in order to perform the necessary tasks.

And, plan the most suitable time to go-live with a new finance system. It's preferable to have a clean break from a legacy system to a new system and the best times are often after the completion of interim management accounts or in conjunction with the start of a new financial year. Running two finance systems in parallel is a huge drain on resources and proves unnecessary if your new system is planned and implemented correctly.

Identify Key Outcomes

Breaking an implementation into logical, achievable and measurable steps can help maintain project momentum, keep staff engaged in the delivery and allow you to realise benefits much quicker. With the successful completion of smaller steps and delivering against key outcomes, confidence and capabilities are developed and the delivery of the full implementation becomes easier to grasp.

MONTH END

The very first output of a new finance system is likely to be the month end figures in the form of the management reports. Set out to achieve a month close in record time. Achieving a clean fast close is great for building confidence.

REPORTING

Often custom reporting is the missing component of a finance system and the primary justification for an upgrade or reimplementation. Phase reporting in early and start building your suite of tailored reports that specifically address the requirements of your individuals and teams.

BUDGETARY CONTROLS

Setting budgets, delegating authorisation to spend against AFEs, implementing processes and ensuring budgets are adhered to, unites every aspect of your finance system and reduces administration whilst giving your management far greater control. Reporting against these controls to identify issues, analyse variances and resolve problems before they impact your operations offers further efficiencies down the chain.

AUDIT

With controls in place, you can be confident that only those with the correct delegated authorities can make changes, or changes are completed in a controlled manner with the necessary approvals. Then if auditors require very specific information, it's quick and easy to access.

PROCESS CHANGE

Changes in process, underpinned by robust systems, can offer the greatest efficiencies. Sometimes process changes are as a direct result of having a more feature-rich finance system, but more often than not, they result from the implementation process itself; the thought and consideration your entire team puts into how things are done and how your processes can be improved.

It is important to continually review, learn, adapt and reiterate, both system and processes, throughout the entire implementation, ensuring your new finance system meets expectations and delivers against the original objectives you set out to achieve.

Stride Forward

A well implemented finance system will cut laborious administration. Your highly skilled and valued finance team will be able to better utilise their time, focussing more towards strategic activities; preparing presentations, supporting business development and generally helping to drive growth. Probably exactly, what you hoped they'd be doing when you first compiled your team.

Evaluating suppliers and understanding which ones have delivered successfully and which ones have proven to let you down, will help drive efficiencies throughout your procurement process and entire supply chain. Accounts payable will be able to help build stronger supplier relationships by identifying issues quickly and having instant access to your supplier accounts. Before long, you'll be forecasting and producing financial models with more accuracy, replacing estimates and best-guesses with actuals from past campaigns and spending even fewer hours recalculating forecasts.

Managing Directors won't be bogged down with operational detail, but will be kept in the loop by receiving automated alerts if a project starts to creep out of scope. CFOs and Finance Directors will become more effective, having more time to focus on going to market, finding more opportunities, briefing investors and securing the right investment at the best price. They'll have more time to discuss projects with partners, support business development opportunities and better prepare presentations helping secure new assets.

When the time does come to enhance your team with additional staff, they'll not just be playing an administrative role. They too will be supporting your strategic activities and your company will find itself able to do far more, far more effectively, far more efficiently, with a much leaner team.



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